

JPRS 80050

8 February 1982

China Report

ECONOMIC AFFAIRS

No. 203



FOREIGN BROADCAST INFORMATION SERVICE

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NATIONAL POLICY AND ISSUES

PROBLEMS IN REGIONAL ECONOMY EXAMINED

HK280923 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 81 pp 49-51

[Article by Li Zhe [2621 0772] of the Union of Social Science of Heilongjiang Province: "Questions on the Enhancement of the Advantages of Regional Economy"]

[Text] I. Enhance the Advantages of Regional Economy Under the Unified and Planned Guidance of the State

The advantages of an economy is a relative notion which has drawbacks of an economy as its antithesis. The advantages of regional economy exist within the space of a certain region. The purpose of bringing into play the advantages of regional economy is to achieve the best nationwide macroeconomic effects which imply of course the best regional economic effects. However, some comrades are in practice only bent on obtaining some short-term advantages for their own region to the detriment of the national interest. In this case, of course, it cannot be said that the advantages of regional economy have been properly brought into play.

The advantages of regional economy refer to the overall advantages that a certain space offers in respect of natural resources, equipment, technology and economic management level. In other words, it produces goods of the best quality at the least possible cost. Besides, in order to ascertain whether the products of a region offer advantages, we should refer to the turnover target of finished products, or to the net production value target, instead of referring to the total production value target alone, for if among the products there are intermediate products which are kept in stock or cannot be turned into finished products, then no advantages of regional economy have come into play and consequently neither the state nor the region have derived economic benefits therefrom. So, in order to bring into play the advantages of regional economy, production has to be organized under the unified and planned guidance of the state and in the light of the needs of society and market trends so as to guard against blind production, which is a cause of waste.

At present, some regions, learning on their natural resources alone, which are comparatively abundant, have been blindly setting up redundant factories, giving rise to phenomena which run counter to the objective of making use of the advantages of regional economy such as "the small squeezing out the big," and so on.

These regions must adopt, under the guidance of the unified plan of the state, correct steps and methods to solve these problems appropriately. Otherwise, from the macroeconomic point of view, this will not only be an obstacle to harmonious and healthy development of the national economy as a whole, but also impede somewhat our country from further improving its economic and financial situation.

2. Enhance the Advantages of Regional Economy and Reform Economic System

In my opinion, for the purpose of enhancing the advantages of regional economy, the region concept should coincide with the area on which commodity production relies, instead of with the administrative divisions [word indistinct] state, such as provinces, districts and counties. At present, the trammels of conventional divisions, the barriers between regions, hinder us from enhancing appropriately the advantages of regional economy. Therefore, in order to enhance the advantages of regional economy, we must carry out reform of the system of economic management, doing away with the trammels of conventional divisions and the interregional barriers so as to "detach" enterprises from administrative bodies. Various forms of economic joint entities or joint economic operations which encompass different trades and regions are to be organized under the guidance of the state plan and according to the principle of coordinating the activities of various specialized sectors. Take flax as an example, which the province of Heilongjiang is in a very good position to produce; we may establish joint management for flax products, incorporating the provinces of Heilongjiang and Shandong into a joint economic entity in so far as this trade is concerned, setting up an association in this trade and directly exporting flax products. Failing this kind of joint economic operations, the advantages of regional economy cannot come into play and can even become drawbacks, causing losses and waste, of which the root often lies in the system of turning over enterprises' profits that induces administrative or departmental heads to intervene in the operations of enterprises with a view to gaining more profits. On the other hand, this will prevent different trades and regions from joining hands. In order to implement joint management of products, we should let key cities play their part again, substituting economic centers for the existing administration system which we set up by administrative areas. Historically, Shenyang was the economic center of the northeast and Harbin was the economic center of the area called northern Manchuria. To strengthen the links between the economic centers and to organize a nationwide economic network will greatly contribute to bringing the advantages of regional economy into full play. If Harbin may play anew its part as an economic center, supporting the region in developing farming, forestry, animal husbandry, sideline production, fishery and raw material processing at various stages, this region will have secure footholds to bring into play the advantages it has in the economic field.

3. Only by Combining the Advantages of Both Natural Resources and Technology Can the Advantages of Regional Economy Be Realized

Natural resources are natural prerequisites for the development of production and the labor productivity of a society is to a large extent conditioned by its natural resources. Marx pointed out: "If we leave out the differences in the dispositions of different persons and in their craftsmanship, then labor productivity is mainly conditioned by: the natural conditions for labor, such as

how fertile soils are and how abundant a land is in minerals and so on." (Marx: "Wages, Price and Profits," "Selected Works of Marx and Engels," Vol 2, p 175). This means the natural resources of a region plan a certain part in putting the region in a favorable economic position. We must undertake large-scale exploration of the natural resources in our area, exploit them on a selective basis, and make use of them rationally so as to achieve the best economic effect. Heilongjiang is a province that is quite abundant in forests, coal, petroleum, soybean, flax, sugar beet, flora and fauna. But the various raw materials or primary products that this province produces have a fairly low economic value. This indicates that if the advantages in respect of natural resources are not coupled with the advantages resulting from better technology and equipment, then there will be no advantages of regional economy. Take high quality drawn-work in linen for example. Shanghai, Shandong and Guangdong have been exporting these articles at higher prices in foreign currencies than Heilongjiang, because they have an advantage over Heilongjiang in respect of the craftsmanship of embroidery. It is evident that abundant natural resources will not result in the best advantages of regional economy if there are no advantages from the viewpoint of the technology necessary for manufacturing finished products. We must however point out that while exploiting natural resources to bring into play the advantages of regional economy, we should be very careful about the ecological equilibrium and environmental protection. Otherwise, we cannot consider that the advantages of regional economy have been brought into play and will even suffer from the consequences of disturbing the natural cycle.

4. Tackle Correctly the Problem of Dividing the Work Between Regions Producing Raw Materials and Processing Regions, Stick to the Principle of Exchange at Equal Value, Rationally Distribute Economic Benefits

To correctly tackle the problem of dividing the work between regions producing raw materials and processing regions, we have to proceed not only in the light of the present situation formed by the history of our country to date, we must also take account of future trends of economic development, so as to formulate a long-term plan for developing the division of work between regions which corresponds to the reality of Heilongjiang Province. In this way, we may make use of its advantages, develop in a planned and coordinated way the regions producing raw materials and the processing regions and thus contribute to accelerating the economic development of our country.

Within our socialist economy, coexist not only the economy under the system of ownership by the whole people and the economy of the collective ownership system, but also the individual economy and other auxiliary economies such as family sideline occupations. Every production unit, whatever the nature of its ownership, is a relatively independent commodity producer. Therefore, while exchanging commodities, we must appropriately apply the law of value and adhere to the principle of exchange at equal value while not losing sight of the national, collective and individual interests. This is a question of giving all-embracing consideration to the distribution of economic benefits. Practice has proved that if we cannot find a solution to pricing raw materials and other

primary products, then it will be hard to enhance the advantages of regional economy. Of course, the enhancement of the advantages of regional economy should be viewed from the national interest to which the regional interests should be subordinated. But in the past, more consideration was given to the alignment of the interests of the whole people, the collective and the working people, while not enough attention was paid to the fact that at the present stage, many types of economies coexist in our country where the principle of commodity exchange still holds. As a result, the problem of pricing products, especially the problem concerning the discrepancy between the prices of raw materials and other primary products and their value have not been appropriately solved for a long time, thus in a way impeding us from enhancing the advantages of regional economy. For instance, the province of Heilongjiang is one of the major timber sources in our country. But because the prices are not suitably fixed, a great deal of branches for timber and fuel fall down in the mountains and rot away, giving rise to heavy losses.

5. Further Enhance the Advantages of Regional Economy, Pivoting on the Specific Conditions of Natural Resources and Developing a Scientific and Technological Force

Science and technology are productive forces. It is beyond doubt that the level and strength of science and technology have a noticeable bearing on the enhancement of the advantages of regional economy. The province of Heilongjiang has laid the foundations of its own scientific and technological forces. But Heilongjiang Province which is quite abundant in raw materials for heavy and light industry is one of the major producers of commodity cereals, timber, petroleum and coal. From the perspective of development in the long run, the scientific and technological forces of Heilongjiang Province are far from being adequate to enable it to come into full play as such a major producer. According to the available statistics, in recent years 80 percent of the industrial departments in the developed countries which have raised productivity resorted to applying new scientific and technological achievements. Therefore, in order to develop the economy and raise productivity, we must, relying on the existing scientific and technological forces, develop education, scientific activities and actively train a core of technological teams so that the technology will be raised to a level corresponding with the needs of enhancing the advantages of regional economy. On the other hand, we must step up research work in the economic field, studying the economic and technological advantages of other regions in the country, observing the trend of prices of various commodities, comparing production costs, forecasting market trends, analyzing the state of business management and collecting from abroad information on the trends of economic development and trade, foreign investments, exploitation of natural resources, transfer of technology and the international financial situation; all these economic data should be verified and promptly passed on to policymaking bodies even by means of setting up modern communications network.

In short, we may say a region has turned its economic advantages to good account when it has obtained the best economic effect in the sense that the quality of its products is good, the costs are low and the products sell well. Lack of advanced

science and technology will not only result in low efficiency, high consumption and little achievements, but also lead to irrational exploitation of natural resources, causing damage and waste. Without economic rationalization, we will act against the natural law and economic law and thus suffer from the consequences of "more haste, less speed" or "the game is not worth the candle" and even be penalized for contravening objective laws; without scientific management, we will make errors in our work, or the various economic links will not mesh, causing loss of overall balance and causing losses and waste which could have been avoided. Therefore, while turning the advantages of regional economy to good account, we may achieve the best economic effect only if we know how to combine, under the guidance of the unified state plan, the advantages of natural resources, equipment, technology and steady progress in management level in an optimum way.

CSO: 4006/263

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON INDIVIDUAL SECTOR ECONOMY

HK280943 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 81 p 76

[Letter to the editor from Zhou Weiyao [0719 3634 1031] of the Marxism-Leninism Teaching and Research Bureau of Shanghai Jiaotong University: "New Features of the Individual Sector Economy in Urban Areas"]

[Text] Since last year, the urban individual sector economy of our country has developed somewhat, the number of industrial and commercial enterprises in this sector rose from 250,000 to 800,000 by the end of 1980. A remarkable change has come about in the individual sector economy which, for a long time, had been in a state of "neither becoming well off, nor going to rack and ruin," "neither dying of hunger, nor eating to one's fill." In our country where socialist public ownership is in an absolutely predominant position, letting both the urban and rural individual sector economy develop to a certain degree is a long-term policy adopted in the light of the lessons we have learned from our history. This is in accordance with the actual situation of our country and in compliance with the objective law that production relations must conform with the nature of production forces.

Historically, the individual sector economy has never been in a leading position, being always dependent on that sector of the economy which is in the leading position during any period under consideration. Thus, the nature, position and function of the individual sector economy varies as the social and economic regimes change. In a socialist society, the individual sector economy is dependent on, is subject to and is complementary to the socialist economy. Its production, management and operations are subject to the restraints of the basic economic laws of socialism and the law of developing the national economy according to plans and in proper proportion. This results in some new features which distinguish the present individual sector economy from the previous one.

First, the individual sector economy is subjected to the administration and restrictions of the proletarian state. The industrial and commercial administrative departments lay down, in accordance with the needs of social production and the people's livelihood, guidelines on the trades and areas in which the individual sector economy may operate, on the number of enterprises required and on the type of persons who may engage in activities in the individual sector economy. An individual who intends to engage in a trade must first submit an application to the industrial and commercial administrative departments for registration and may

start business only after obtaining a business license, which the industrial and commercial administrative departments will issue if the trade fulfills a need.

Second, the individual sector economy is restrained in its activities by its blindness. The individual sector economy often tends to pursue purely profits. This tendency of blind and spontaneous operation is inherent in the private ownership of the means of production and is inevitable. But when the socialist economy is in an absolutely predominant position, the state possesses the economic means to guide the individual sector economy in regard to its scope, methods and scale of operations, sources of raw materials, supply of goods, pricing, payment of taxes, and so on. Thus, the state can reduce the individual sector economy's blind operations, turning it into small commodity economy under the guidance of state planning.

In the third place, our present individual sector economy has useful organizational and management aspects. Quite a number of those working in the individual sector economy are young intellectuals, persons to whom society pays special attention, handicapped persons or persons requiring medical treatments and so on. In the city of Harbin, out of 3,225 enterprises under individual ownership, 415 enterprises or 12.9 percent are operated by young people awaiting employment, 985 enterprises or 30.5 percent are operated by retired workers, the remaining 56.6 percent are operated by persons to whom society pays special attention, handicapped and disabled persons and families in difficulty. They have set up 19 enterprise committees and 200 groups of individually owned enterprises which hold, respectively, a monthly and semi-monthly meetings to study the relevant party policies, to exchange experiences in management and to discuss problems concerning their activities.

In the fourth place, the individual sector economy must operate in line with the needs of socialism and in accordance with the basic economic laws of socialism. On one hand it is a means by which individuals earn a livelihood for themselves and provide for their families, and on the other hand, it must also be a means for rendering service to the public, creating wealth for the state and increasing the revenue of the state.

We may therefore conclude that at the present stage, individual ownership in our country is no longer private ownership of the means of production in its proper sense. Rather, it has been put into the socialist orbit to work under the guidance of the state plan for individuals themselves and for the society as well. This is a new form of individual sector economy, which is a component part of the national economic system of a socialist society.

Now the individual sector economy, which has been restored and developed, shows that it can play a positive part in economic life. But because it is privately owned, the individual sector economy is bound to have some negative aspects. Therefore, in order to ensure sound development of the individual sector economy, we must earnestly implement the policies of our party and state in this regard, adopting a correct political stance towards, and giving economic support to, the individual sector economy. At the same time, we must strengthen economic management, administration and ideological education with a view to cracking down mercilessly on speculation and profiteering on the one hand and guarding against all kinds of illicit activities on the other hand.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' CALLS FOR ENTERPRISE CONSOLIDATION

OW210421 Beijing Domestic Service in Mandarin 2230 GMT 20 Jan 82

[Text] RENMIN RIBAO on 21 January publishes an editorial, entitled "Consolidate Enterprises in an All-Round and Planned Way."

The editorial says: The party Central Committee and State Council have decided to carry out a comprehensive consolidation of state industrial enterprises in a planned way and step by step, taking into account the experiences gained in selected enterprises and their popularization in other enterprises, and try to complete it by groups and stages in the next 2 or 3 years, beginning this year. The comprehensive consolidation is an overall reorganization of an enterprise, including reorganizing the leading body and contingent of staff and workers, reforming the management system, reinforcing labor discipline and financial and economic regulations, correcting the party's style and strengthening political and ideological work. In the course of consolidation, it is necessary to integrate the work in these fields and solve problems step by step, in order of importance and urgency and in light of actual conditions in each enterprise. Attention must be given to the work in the following fields:

First, it is necessary to consolidate and improve the economic responsibility system, reform enterprise management, and strive to do a good job in overall planning in management, total quality control and the economic accounting system.

Second, it is necessary to strengthen and reinforce labor discipline. Staff and workers, who demonstrate a healthy attitude toward work, abide by discipline and law and score outstanding achievements in production, should be commended and rewarded. Those who have seriously violated labor discipline should be given economic or administrative punishment. Penalties must be doubled for those who refuse to mend their ways despite repeated admonition, until they are fired.

Third, it is necessary to strengthen financial and economic regulations and improve the financial and accounting system.

Fourth, it is necessary to consolidate labor organization and organize production on the basis of fixed numbers of workers and quotas. It is also necessary to carry out training for all workers and staff, in a planned way, and firmly overcome the phenomena of overstaffing and low efficiency.

Fifth, it is necessary to consolidate and build the leading body and strengthen ideological and political work among staff and workers.

In conclusion, the RENMIN RIBAO editorial says: Through the comprehensive consolidation, the enterprises should be able to set up, step by step, a leadership system characterized by both democracy and centralism, a contingent of staff and workers who are both red and expert, and a scientific and civilized management system, thus being capable of correctly handling economic relations between the state, enterprise and individual workers, fulfilling the state plan by outstanding achievements and becoming enterprises "good in the six fields"--good in consideration for the interests of all three sides, product quality, economic returns, labor discipline, civilized production and political work.

CSO: 4006/263

ECONOMIC PLANNING

GUANGXI CONGRESS RESOLUTION ON ECONOMIC REPORT

HK200940 Nanning Guangxi Regional Service in Mandarin 1100 GMT 18 Jan 82

["Resolution adopted by the fourth session of the Fifth Guangxi Regional People's Congress on 17 January 1982 on the report on regional economic work in 1981 and the tasks of economic construction for 1982"]

[Text] The fourth session of the Fifth Guangxi Regional People's Congress examined and approved the government work report made by Chairman Qin Yingji on regional economic work in 1981 and the tasks of economic construction for 1982, approved in principle the draft of the regional planning committee on implementation of the 1981 regional economic plan and on the 1982 economic plan, instructed the regional people's government to make necessary amendments to the planned economic targets for 1982 in the light of actual conditions, and authorized the regional people's congress Standing Committee to examine and approve this plan.

1. This session agreed that Chairman Qin Yingji's report had made a realistic analysis of the present economic situation in our region. Over the past year or so, through conscientiously implementing the policies and principles of the CCP Central Committee and the State Council on continuing economic readjustment and developing a stable political situation, the people's governments at various levels have brought into play the initiative of the masses of cadres and people, led them in conquering natural disasters and overcoming all kinds of difficulties, and made the national economy continue to take a favorable turn and develop steadily. The session showed satisfaction with all these achievements.

Referring to the problems in our work pointed out in this report, the session instructed the regional people's government to take further measures in 1982 so that they can be solved as early as possible, our work in various aspects can be done better, and the good situation can be continued and developed.

2. The policies and tasks set forth in Chairman Qin Yingji's report for the development of the national economy in our region are practicable. They are in conformity with the spirit of breaking a new path in our national economy construction and are in line with the 10 principles. The people's government at all levels must conscientiously implement these policies, and in line with their local conditions, develop their strong points and overcome shortcomings

and step up the economic development of their own districts. In the economic construction, special attention should be paid to supporting the minority nationalities areas, the poor areas and border areas, and the mountainous and forested areas with financial, manpower and material resources. They should also help these areas train cadres and technicians and develop economic and cultural activities so that the backward situation in these areas can be quickly changed.

3. The session held that it is necessary to forcefully develop forestry construction, which is very important for the improvement of the environment. In order to respond to the call of the fourth session of the Fifth NPC, we must mobilize all walks of life to launch a voluntary tree-planting drive so that more trees will be planted to make our country green. Effective measures should be adopted to protect the existing forests and to stop excessive felling or denuding of trees.

4. The session held that it is necessary to do a good job in the building of spiritual civilization while doing a good job in the building of material civilization, so that all members in our society can gradually foster socialist and communist values and morality and cultivate the socialist and communist attitude towards labor, and so that the socialist orientation of the economic construction can be maintained. Government organs at various levels must set a good example in the building of spiritual civilization, make investigations and studies, simplify administration, overcome bureaucracy, improve work style and raise efficiency in their work.

5. The session called on people of all nationalities to rally closely around the CCP and further develop the political situation of stability and unity, to further strengthen the unity between the army and the government and between the army and the people as well as the unity between all nationalities, to consolidate and extensively develop the patriotic united front, to boost our spirits, go all out and speed up our regional economic construction and the development of our work in various aspects, to maintain a good social order and to strengthen our border defenses, and to fight for the realization of building our country into a modern and powerful socialist country with a high degree of democracy and civilization.

CSD: 4006/263

ECONOMIC PLANNING

ELIMINATING EGALITARIANISM IN BONUS SYSTEM EMPHASIZED

Nanjing XINHUA RIBAO in Chinese 4 Nov 81 p 3

[Article by Lan Ko (5665 2688): "Overcome Egalitarianism in the Bonus Distribution System"]

[Text] How to overcome egalitarianism in the distribution of bonuses and make the reward system give better expression to the principle of distribution according to work is an important issue calling for a solution in the industry and communications fields.

A bonus is a means of encouragement to workers who have overfulfilled their work quotas or achieved outstanding success. The reward system is put into practice for the purpose of bringing about further improvement in operation and management, arousing the enthusiasm of the masses, encouraging workers to raise their technical and professional levels, increasing labor productivity, raising workers' income on the basis of increasing production and income, and generating more revenue for the state. Since 1978, when the reward system was reinstated, those areas, departments and units that have conscientiously enforced state provisions concerning the reward system have distributed bonuses with good results. But there are some areas, departments and units which, instead of following the state provisions on the distribution of bonuses, have mixed in and practised egalitarianism to a serious extent. Instead of being linked to the results of operation, bonuses have been distributed in the same way irrespective of whether the enterprise has made a profit or lost money, irrespective of the amount of profit made or the amount of money lost in the policy and operational sense. Moreover, the level of bonus payment has been consistently raised and not lowered, and some enterprises have issued the same amount of bonuses even though their production has declined. Within an enterprise, the workers either took turns in getting first-grade, second-grade, and third-grade bonuses or got an average amount of bonus per person without taking into consideration the magnitude of their contribution and whether the recipients were advanced or backward. Even if bonuses varied with different workers, the "difference was slight." Some units turned out so-called "welfare products" as they pleased, sold to their staff and workers at low prices TV sets, electric fans, desk lamps, and furniture, or issued material objects as a reward in disguised form. What they practised was egalitarianism. As a result, the reward was counter to the principle of distribution according to work, failed to play its part in encouraging the advanced, and dampened mass enthusiasm, hindering the development of production and working against socialist construction.

to overcome egalitarianism in the distribution of bonuses, it is necessary to address the problem in theory and practice simultaneously.

Theoretically, it is necessary to rectify the muddled thinking among some cadres who still regard egalitarianism as socialism, to deepen their understanding of the harm of egalitarianism, and to make a clean sweep of its influence. In their eyes, distribution of bonuses is rational and equal only when everybody gets a share and the same amount, and only this is a manifestation of the superiority of socialism. This view is a misconception. One basic characteristic of socialist society is distribution according to work; this represents the socialist relations of distribution as opposed to the capitalist relations of production and appears as something entirely new in human history. Egalitarianism is not the socialist principle of distribution but a product of small-scale production, which has nothing in common with Marxist socialism. Comrade Mao Zedong consistently opposed egalitarianism and pointed out even before the liberation: "It is reactionary, backward and retrogressive in character." After liberation he seriously warned that practising egalitarianism "will cause the nation and the party to perish." Given the fact that in our country a small peasant economy occupied an absolutely dominant position, egalitarian thinking still exerts a deep influence even to this day. Haven't we suffered enough from egalitarianism over the years? During the "great cultural revolution," Lin Biao and the "gang of four" incited an egalitarian trend of thought. Under their disruptive activities, irrationalities appeared in society--one got the same irrespective of whether one did good work or bad, whether one did more or less, or whether one worked or not--throwing people's minds into confusion, aiding the growth of evil practices, and severely undermining the productive forces. In recent years, as a consequence of practising egalitarianism in distributing bonuses, some areas and departments have distributed bonuses but economic results have not correspondingly improved, and in some cases have even increasingly deteriorated. Historical and current lessons tell us that it is imperative to draw a dividing line between socialism and egalitarianism, to take the sober view that egalitarianism is a great scourge on the industry and communications front, and that if we do not make our minds to eliminate this scourge, the development of production and improvement of our livelihood will be severely held back.

In practice, we should carry out the economic responsibility system in various forms, correctly handle the relations between the enterprise and the state, and resolve the problem of great egalitarianism. Within an enterprise, we should integrate the economic responsibility system with distribution according to work, correctly handle the relations between the enterprise and its workers, and resolve the problem of minor egalitarianism--getting the same amount whether one does good work or bad. Since the second quarter of this year, the economic responsibility system in various forms has gradually been implemented in our province. At present, more than 60 percent of the enterprises owned by the whole people and nearly half of the collective enterprises at the county level and above have implemented the economic responsibility system with notable results. In Wuxi municipality, 34 enterprises in the telecommunications equipment industry, the light industry and in communications and transportation departments have put into practice a system of piece-rate wages for above-quota production. As a result, these enterprises have raised the man-hour utilization rate, attendance rate and labor productivity. The enterprises have received an impetus to increase production and improve economic efficiency, and insure benefits to the state, the enterprise and the

individual. The chemical plants at the Lianyung harbor practised egalitarianism when distributing bonuses in the first half of this year; their production tasks were not satisfactorily fulfilled and their profits delivered to the state were significantly down compared with the same period of last year. At the end of July, the Bureau of Chemical Industry signed economic contracts with 18 plants, setting the profit target and other targets and stipulating measures for reward and penalties linked to output. Internally, the plants put into practice such forms of economic responsibility system as linking remuneration to output, paying piece-rate wages for above-quota production, and paying floating wages; in doing so, the plants improved the reward system and spread the targets set in the contracts among their shops, teams and groups, and individual workers. As a result, the cadres' and workers' sense of responsibility was enhanced and their enthusiasm was roused. In August the bureau overfulfilled the total output target by 36.5 percent in terms of value and delivered to the state considerably more profit. Practice shows that implementation of the economic responsibility system, linking the responsibility, authority and profits, and combining the interests of the state, the enterprise and the individual worker is an effective way to manage production on the principle of distribution according to work, improve the reward system and overcome egalitarianism.

To insure the success of the economic responsibility system and overcome egalitarianism in the distribution system, it is necessary to carry out concrete work in several directions. Efforts must be made to do a good job in three directions:

First, the average, advanced work norm must be drawn up. In the past, many enterprises remained backward in management, lacked a strict system of norms and did not do a good job of basic work such as checking and accepting, checking on work attendance, keeping records, and collecting and classifying data: this was an important reason for the prevalence of egalitarianism in the bonus distribution system. This state of affairs should be changed. The work norm is the foundation for successful implementation of the economic responsibility system, in yardstick for measuring workers' work achievements, the basis for determining whether bonuses should be distributed and how much. For this reason, the enterprise leadership should attach great importance to work norms and exert efforts to do this work well. The level of work norm should correspond to the average, advanced requirements. Too high a norm will lower the normal income for workers and dampen their work enthusiasm; too low a norm will enable workers to far surpass their work norm without exerting great effort and to get a large bonus, with the result that the state suffers a loss while the workers are discouraged from bringing their work enthusiasm into play. The average, advanced work norm should be brought into line with the average, advanced level for the same trade nationwide; in the case of an enterprise, it means a level the majority of workers can reach or surpass only by exerting great effort, not a level the majority of workers can surpass without exerting great effort. The work norm is not static. It should be correspondingly revised along with the rise in workers' skills and the improvement of the enterprise's technical equipment. It is wrong to set the level of norm low so that workers can get larger bonuses, and such practice must be rectified. Work norms should be worked out in a scientific way through technical evaluation and statistical analysis and not based on simple estimation.

Second, rewards and penalties must be dispensed impartially. To reward good work and punish poor work has been the means employed by statesmen and military strategists of past ages to bring order into administration and boost morale. In implementing the reward system today, we should also reward good work and punish poor work. We should dispense rewards to those workers who work selflessly, perform above-norm labor and make great contributions to the state, and instead of rewarding, we should punish those who are careless and casual, negligent in their duty and unable to fulfill work norms. Regarding the question of bonuses, leading comrades of some departments and units take the view that "favours should be heaped on everyone" and that to give bonuses equally to everyone is to minimize contradictions and make everybody happy. They do not understand that such an approach can only encourage the backward to take advantage of socialism, discourage the advanced and dampen the enthusiasm of the majority of workers.

Third, ideological and political work should be strengthened among staff and workers. Egalitarianism in the bonus distribution system is associated with the slackening of ideological and political work and with one-sided stress on material incentives. In the eyes of some enterprise leaders, bonuses are omnipotent. "Better two banknotes than a lot of talking; better a bright-colored paper (banknote) than a red paper (citation)." Consequently, they try to stimulate people's production enthusiasm by means of equal distribution of bonuses. This way of doing things is wrong. We can say that material incentives are important, but we cannot say that material incentives may be provided apart from the strengthening of ideological and political work. The two are not antithetical to each other, nor can one be substituted for the other; they complement each other. We must adhere to the correct policy of combining spiritual incentives and material incentives, with emphasis on the former, and change the weakness and laxity in ideological and political work. We should make it clear to staff and workers that a bonus is not like a living allowance that "is assured despite drought or excessive rain," but a sort of encouragement to those workers who surpass their work norms or achieve outstanding success. They should overcome the influence of petty-bourgeois egalitarianism and criticize and oppose the bourgeois decadent idea of benefiting oneself at the expense of others, putting profit-making first, "doing everything with money in mind." We should bring it home to staff and workers that when putting the reward system into practice and implementing the principle of material interests, they must give consideration to the material interests of the state, the enterprise and the individual, insuring first of all that the state will have more revenue and that readjustment of the national economy will be facilitated; they must not confine themselves to giving larger bonuses to workers; they must look ahead and behind, think of their neighbors and, instead of distributing among individuals all of the increased profits achieved as a result of implementing the economic responsibility system, keep them as a welfare fund or reserve fund and establish a surplus against shortages. We should teach staff and workers as masters of socialism to share state cares and burdens, to manifest a patriotic spirit of placing the interests of the state above everything else, to courageously carry the heavy burden, and to strive to contribute more.

ECONOMIC MANAGEMENT

ENTERPRISES NEED TO STRENGTHEN RESPONSIBILITY SYSTEM

Jinan DAZHONG RIBAO in Chinese 4 Dec 81 p 4

[Article to Special Commentator: "Further Strengthening of the Responsibility System of Financial and Commercial Enterprises Is Required"]

[Text] Some 70 percent of the enterprises in the commercial, supply and sales and food sectors have so far adopted the responsibility system in their operations. Steps have been taken by these enterprises to alter the "eating out of a large rice pot" and the egalitarian mentality, to activate the positive attitude of the enterprises and the workers and staff members, to improve the quality of service, to upgrade the administration of business operations and to increase production and income. Results have proved that the enterprises are headed in the right direction. However, we have, in our forward progress, met not only with successes but setbacks as well. New problems and new contradictions have emerged which need to be studied and dealt with. One important task which we have to perform is to make a serious effort to learn from our experiences, to raise the level of our understanding, to perfect our methods, and to strengthen supervision so that the responsibility system in the operations of our financial and commercial enterprises may be further developed satisfactorily.

Adoption of Evaluation System

This is an important task in the implementation of the responsibility system in the operations of financial and commercial enterprises. The responsibility system in the operations of financial and commercial enterprises is an operational administrative system under socialism which, in keeping with national planning, has as its goal the improvement of service and the increase of economic benefits and which emphasizes the inseparability of responsibility, authority and profit. This represents a major reform in the administration of enterprises which was introduced after a period of years following the three great reforms and major readjustments in the apportionment of responsibilities on the basis of the public ownership system. Its significance is no less than the reform of the capitalistic industrial and commercial enterprises. However, the mistaken notion is entertained by some comrades that the adoption of the responsibility system in business operations merely serves to keep and to pay the enterprises and workers and staff members a larger amount of cash. They take the amount of profit as the "chief criterion" in evaluating the enterprises and the adherence to set policies, the quality of service and other economic factors as of secondary importance. This point of view is not only flawed but dangerous as well. It is necessary to take into account the complexity of the operations of the

financial and commercial organizations. There are wide differences between different areas, different businesses and different enterprises. In view of such complicated factors as prices, the rates of taxation and the sources of commodities, the amount of the profit made by the enterprises cannot be taken as an accurate gauge of the administrative standard of the operation of the enterprises. To make profit and loss the chief or only criterion for the evaluation of the responsibility system in business operations would encourage people to "keep their eyes on the cash register," to be concerned only with profit making, to work less when the profit is small and to work not at all when there is no profit to be made. This is detrimental to the full implementation of the plan set by the government. Profit making is, of course, an important objective. However, it is also necessary to establish the economic responsibilities of the various parties concerned and to set up a relationship between the economic benefits accruing to the enterprises and the workers and staff members and the responsibilities which they assume in realizing those economic benefits. It is only thus that it is possible to fully and effectively activate the positive attitude of the large number of workers and staff members, to heighten their sense of responsibility as their own masters and to achieve the objective of putting business operations on the right course, to raise the quality of service and to bring about economic benefits. From the practical experiences gained in various areas, we have come to the conclusion that the responsibility system in the operations of financial and commercial enterprises should not only take into consideration such economic factors as the purchase and sale of commodities, the variety of commodities, the cost of operations, the revolvment of funds, the return in terms of the labor input and the amount of profit realized. The responsibility system should also include such considerations as the implementation of policies, the quality of service and such political responsibilities as security and health. Rewards and punishments should be justly meted out. Those who fail to achieve the required standards in the evaluation should be made economically responsible and deductions should be made in their pay.

Setting Reasonable Base Figures and Share Ratios for Profits and Losses in Contract Work

It is vitally important to set up a ratio in the benefits accruing to the state, the enterprises and the workers and staff members. At the present time, the majority of the units are doing well in setting up a ratio among the three. However, a small number of the units, especially those which have been lagging behind, have put the contract base figures too low. An excess in the payment of workers and staff members affects the morale of their neighbors. In some units, the reason may be attributed to the complexity of the circumstances, the lack of thorough investigation and study and the inaccuracy in the projection. In other units, the situation is the result of flaws in the thinking of those in leadership positions. Some of the concerned authorities seek to use the increase of benefits to activate the positive attitude of the enterprises. Some people in leadership positions in the enterprises deliberately set too low a base figure in the belief that "the higher the income of workers and staff members, the more credit goes to myself." This tendency must be overcome and rectified.

The amount of profit which should be retained by the enterprises is a highly involved problem with strong political overtones. Careful consideration should be given to the setting up of an equitable limit. Generally speaking, while steps should be

taken to ensure that the revenues paid to the government should show an increase year by year, measures should also be taken to activate the positive attitude of the enterprises and their workers and staff members. Under normal circumstances, the ratio of the increase profits made by the enterprises year by year and paid to the government should be higher than that retained by the enterprises. The ratio should also be made flexible depending on the degree of success of the operations and on the increase or decrease in the amount of profits. In conformance with this principle, it should be possible to set a base figure according to the circumstances and to avoid arbitrariness by meeting the need to adopt flexible means, to clarify the limit of responsibility, to enlarge the area of authority and to achieve benefits according to the area and the type of business operation. Those enterprises whose operations are relatively successful may, by using the highest level they have achieved and by comparing the highest level achieved by other enterprises of the same type in the same area, set a base figure as the average advanced quota for enterprises of the same type in the same area. The smaller number of enterprises which engage in normal operations and which are well managed may also set a base figure on a trial basis by using in a flexible way the average level actually achieved in the previous 2 or 3 years and by adding to it the rate of increase previously determined. Those enterprises whose production operations tend to be more affected by objective circumstances may take into consideration the actual record for the previous 1 or 2 years, analyze the different factors which affect production and operations and set a quota to meet the circumstances. Those enterprises which make small profits or which suffer deficits should be permitted, for a limited period of time, to set a base figure lower than that of the average advanced level in order to reduce the deficit or to increase the profit. However, they must adopt effective measures, within a fixed period of time, to catch up with the level achieved by the advanced enterprises of the same type. Before that is done, the pay for workers and staff members must not exceed that for workers and staff members of the advanced enterprises. When the pay for workers and staff members is excessively high, the workers and staff members should hold a meeting to discuss the amount of excessive pay which should be put into a common welfare fund or used to make up for deficits.

Strengthening of Inspection and Supervision

This is one of the effective measures to ensure the healthy development of the responsibility system in business operations. After the responsibility system has been enforced, the higher up leadership departments and the responsible enterprises must not relax, but must further strengthen the work of inspection and supervision. Facts tell us that too large and too rapid an increase in the pay for workers and staff members in the more successful enterprises cannot always be justified. Not a few of those in leadership positions resort to devious means to reap large profits at the expense of the nation and the people. Although the number of such cases is extremely small, the effect is devastating and the danger is great. Thus, those in leadership positions at various levels should direct their attention to the need to strengthen supervision and inspection on a regular basis and to correct the problems in time. Those units and individuals who are responsible for enlarging the scope of operations without authorization, who exceed the limits of their operations, who raise prices under false pretenses, who sell substandard products, who shortchange their customers, who resort to tax evasion and tax fraud and who are guilty of misrepresentation in violation of party policy and economic discipline must be severely dealt with. Their illegal gains should be confiscated. In serious cases,

proper economic sanctions should be imposed on those in leadership positions and the people concerned since they should be held accountable for their political responsibilities.

It is our belief that, by strengthening leadership, by upgrading political ideological work, by putting the enterprises on a sound basis, by benefitting from the sum of our experiences, by making full use of our assets and by minimizing our weaknesses, we can continue to develop and to perfect the responsibility system in the operations of financial and commercial enterprises in our province.

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CSO: 4006/214

ECONOMIC MANAGEMENT

SUPERIORITY OF TOTAL PROFIT-SHARING DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 15 Dec 81 p 3

[Article by Li Xueren [2621 1301 0088]: "Total Profit Sharing Is a Rather Good Form of a System of Economic Responsibility"]

[Text] A look in terms of profit-sharing methods at the various forms of a system of economic responsibility currently prevailing in pilot project units with enlarged authority in Tianjin's industrial enterprises shows them to be principally base figure profit-sharing plus increased profits-sharing, increased profits-sharing, total profit-sharing, and "independent accounting, the state levying taxes, with sole individual responsibility for profits and losses." All these forms closely relate the economic benefits of the state, of enterprises, and of staff and workers, and institute, to a certain extent, a unification of rights, responsibilities, and benefits to promote increased output and increased earnings in enterprises. It must be affirmed that they do have a definite compatibility with different types of enterprises. However, if they are compared, one can see that the total profit sharing form has somewhat more advantages.

Increased profits-sharing uses last year's profits as its base figures. Only after profits for any given year exceed this base figure can the enterprise divide the excess with the state in definite proportions. It requires that enterprise profits annually increase by a fairly large extent; otherwise, the enterprise's earnings will decline year by year. As a result of various objective factors, however, the difficulty in increasing profits becomes increasingly great, so such a method is very difficult to continue in practice. In the base figure profit-sharing plus increased profits-sharing, the total profit figure for the preceding year (now changed to average profits for the previous 3 years) becomes the base figure for any given year, profits retained by enterprises according to definite proportions. Increases in excess of base figure are also retained by enterprises according to definite proportions. Such a method has a fairly substantial role in spurring enterprises to increased production and increased earnings; however, since profit levels are high for advanced enterprises who have all along had a good foundation of administration and management, their base figure for profits is large and potentially small. As a result, to increase profits becomes increasingly difficult. Meanwhile, the situation is just the reverse for backward enterprises with low profit levels. In consequence a situation results in which "the whip is put to the fast ox," profits divided by advanced enterprises being less than for backward enterprises. In addition, because most enterprises with enlarged authority

pilot projects instituted "huanbi" [3881 3024] so that the greater the increase in profits for any given year the larger the base figure for the following year, base figure sharing declines relatively. In order that the following year's base figures for profits not become too large, when profits for a year reach a certain point, enterprises frequently deliberately slow the pace of increased production, so this method discourages arousal of the enthusiasm of enterprises for steady increases in production. By "independent accounting, the state levying taxes, with sole individual responsibility for profits and losses" is meant that after the state levies industrial and commercial taxes, profit regulation taxes, municipal construction taxes, income taxes, and takes funds for fixed assets and circulating capital from enterprises, the remaining profits revert, in entirety, to enterprises for distribution as they see fit, enterprises being solely responsible for their own profits and losses. Though this method is the inevitable trend in onward development of profit sharing, until such time as China's tax system is reformed, the prevailing kinds of taxes and the tax system cannot accurately reflect policies on encouragements and limitations, so they cannot play a very good role in regulating production and the circulation of goods. In addition, profit regulation taxes, that levy taxes according to an enterprise's profit levels present a problem in the case of enterprises that make high profits as a result of good administration and management of "putting the whip to the fast ox." In any case, at the present time enterprises are responsible only for profits but not for losses, so the phrase "responsibility for profits and losses" does not accord with reality, and during the current period of national economic readjustment, conditions are not right for spread of this method over a wide area. Total profit sharing, however, stipulates that all profits realized in any given year or any given month shall be divided between the state and enterprises in a certain proportion. So long as the proportions are right, the abovementioned maladies may be substantially avoided. A look at the situation in enterprise pilot projects where total profit-sharing has been instituted shows the following principal advantages:

First is the binding tightly together of the welfare and staff and workers and the state, and arousal of the enthusiasm of enterprises, staff and workers to steadily create more profits. So long as enterprises create more profits, everyone benefits from the general rise; the state gets more, and profit-sharing by enterprises increases correspondingly. This is unlike some other methods whereby once an enterprise's profits increase beyond a certain limit, the future profits of the enterprise are impaired. Take the case of the Tianjin shoe manufacturing plant, which was a pilot project for total profit-sharing. After instituting this method, despite no increase in state investment, it realized profits of 4.22 million yuan in 1980, an increase of 68.8 percent as compared with 1979 (when profits amounted to 2.5 million yuan) before institution of total profit sharing. With a 3 to 7 split, 1980 profits tendered the state amounted to 3,185,000 yuan, a 53.1 percent increase over the 2.08 million yuan profits tendered the state in 1979. Not only was there no decrease in state fiscal revenues, but quite the contrary, they increased by 1,105,000 yuan. Profits tendered for the first half of 1981 amounted to 1.67 million yuan, another increase of 16.7 percent over the same period in 1980. At the same time, the enterprise's share also rose from 378,000 yuan in 1979 to 1,017,000 yuan in 1980, and staff and worker bonuses increased correspondingly. In the achievement of increased earnings for the state, the enterprise, and staff and workers, it was state income that far surpassed that of the enterprise.

Second is that the method is simple and clear; it is easy to figure and easy to understand. It is not as complicated as the base figure profit-sharing plus increased profits-sharing, or the "independent accounting, the state levying taxes with sole responsibility for profits and losses." It is not as elaborately detailed as those systems either, and suited to the real, current management capabilities of some leadership personnel and accounting personnel in enterprises. It is also convenient for the broad masses of workers on the front line of production to master. Every time the enterprise realizes 1 yuan in profit or saves 1 yuan in expenses, how much the state gets and how much the enterprise gets can be directly perceived and easily figured, enabling the masses to see and think clearly, which helps stir the masses of staff and workers to participate in democratic management. In order to increase income and conserve on expenditures, in 1980, the Tianjin Shoe Manufacturing Plant instituted comprehensive economic accounting and instigated staff and workers to launch a campaign of saving 1 cun of cloth, 1 drop of oil, 1 kilowatt hour of electricity, 1 gram of rubber, 1 nail, and 1 cun of leather, which cut costs through saving of raw and processed materials alone amounting to more than 320,000 yuan.

Third, the withdrawal of shared funds is convenient and prompt. The method used for withdrawal of share funds used in Tianjin for base figure profit-sharing plus increased profits-sharing enterprises is "quarterly forecast withdrawals and year-end final settlement of accounts." The quarter forecast withdrawal amount may not exceed 80 percent of the production plan quota amount to be withdrawn. Only after overfulfillment of semi-annual production plans can increased profit-sharing funds be withdrawn per regulations to the amount of half of the year's increased profit-sharing funds. However, no such restriction applies to total profit-sharing. In any month that there is a profit, the total amount of funds to be shared may be withdrawn at once to make use of them as quickly as possible. Tianjin's No 3 Plastics Plant is one enterprise that instituted total profit-sharing. In order to meet export needs for bonded slippers and this year's summer production of women's rubber sandals, this plant promptly put to use the profit-sharing funds that could be withdrawn for the current month to add three 3,000-ton hydraulic presses and sewing machines to produce slippers and women's rubber sandals that were new and original in style, making profits of 230,000 yuan from this item alone. In addition, under the total profit-sharing system, enterprises need not obtain approval echelon by echelon from companies and bureaus to withdraw profit sharing funds, thereby breaking through the overlapping organizations in the leadership system, which are of such low efficiency in transacting business.

Fourth, it helps the transition to sole responsibility for profits and losses. Once total profit-sharing has been instituted, usually the state invests no more in enterprises, the enterprises relying on the funds they retain themselves to solve problems in increasing production, and staff and worker welfare and bonus funds. As reform of the pricing and tax collection system is carried out in future, the state will gradually institute taxation to take the place of payment of profits to the state for those enterprises that institute this method, and it will turn over to the enterprises all equipment depreciation expenses. This will, in fact, be the currently established method of "independent accounting, the state levying taxes with sole responsibility for profits and losses" being in the hands of enterprises.

Since the total profit-sharing method possesses the above advantages, this method should be gradually extended in Tianjin.

The key to the implementation of total profit-sharing lies in setting proportions to be shared between state and enterprise. If the proportions are not fair, problems can develop among enterprises of "unequal sharing of joys and hardships," and "putting the whip to the fast ox," thereby dampening the initiative of enterprises. In setting the proportions to be shared, insofar as possible, the impact of various objective factors (such as readjustment in prices of products, raw and processed materials, and expansion of productive capacity through state investment) should be eliminated among all the enterprises, and distinctions made on how well enterprises conducted their operations so as to make enterprises devote efforts to steady improvement in administration and management. Therefore, for enterprises in which differences in objective conditions result in different profit levels, different profit-sharing proportions have to be worked out in order to avoid problems of "unequal sharing of joys and hardships" among enterprises, insofar as possible. When objective conditions among enterprises are substantially the same, identical proportional sharing should be done to change the situation of "putting the whip to the fast ox" to "putting the whip to the slow ox" to encourage advanced enterprises to steadily increase earnings and to spur lagging enterprises to improve administration and management.

In addition, those bureaus and companies that institute total profit-sharings should also follow this principle in setting different sharing rates for subordinate enterprises. Advantages in instituting total profit-sharing throughout bureaus and companies are that bureaus and companies can institute distribution profit-sharing for enterprises on the basis of the circumstances of the enterprises. However, bureaus and companies must not fail to take account of the just economic benefits of enterprises and use purely administrative methods, resort to stopgap measures detrimental to long-term interests, or protect the backward to form a new egalitarianism. This would be disadvantageous to the arousal of the enthusiasm of advanced enterprises to increase output and earnings. These enterprises must be assured that when they institute total profit-sharing, they will get the benefits to which they are entitled, thereby causing them to steadily tap unused potential in their enterprise and create greater profits for the country.

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050: 4005/217

FINANCE AND BANKING

DISCUSSION ON ECONOMIC MANAGEMENT OF BANKS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] No 12, 4 Dec 81 pp 34-35

[Article by Shen Danian [3088 1129 1628]: "A Discussion on the Economic Management of Banks"]

[Text] Since the establishment of the republic 32 years ago, the socialist banks in our country have made significant contributions in support of the socialist revolution and construction. They themselves have accumulated a great deal of valuable experience in management. The gradual reform of the management system in the national economy has generated new ideas and new demands in the economic management of banks. I would like to present some of my views on the subject of the economic management of banks.

The economic management of banks covers bank management and bank operations. Generally speaking, by bank management, which is internally oriented, is meant the internal organization of the various economic operations of an economic entity. By bank operations, which is externally oriented, is meant the various efforts undertaken to achieve the main objective of an economic entity. The two are complementary and inseparable.

Bank Management

To bring the function of bank management into full play, it is necessary to conform with the nature of the demand of socialist banks. Bank management includes internal management and external management. The internal management of banks is determined by the nature of banks as economic organizations. It generally includes the management of credit funds, planning and statistics, accounting and auditing, organization, personnel and training, wages and welfare, the size of the staff, finance and logistics. The main emphasis is on the management of credit funds.

The external management of banks is determined by the nature of socialist banks as organizations for the management of the nation's finances. The target of the external management of banks is the funds available in society. It generally includes the management of the circulation of currency, cash available in society, the circulation of currency, wages, accounting, credit funds and negotiable instruments. The main emphasis is on the management of the circulation of currency.

There is a close relationship between the internal and external management of banks. The proper internal management of banks results in the proper external management of banks, the full development of the function of banks, and better management and utilization of the nation's funds.

Bank Operations

Bank operations constitute an important phase in the economic management of banks. Operations are of two types, internal and external.

The internal operations of banks constitute a foundation for the economic management of the entire bank. They include the setting up and readjustment of plans, the revolvment and adjustment of credit funds, the assignment, utilization, reassignment and training of personnel, the assessment of funds on hand and checking of operational costs. The main emphasis of internal operations is on the revolvment and adjustment of credit funds to which all other operations are tied.

The external operations of banks involve the investigation and research of the long-term economic outlook of the enterprises, the analysis of statistics and the making of projections and forecasts. In general, they include the study of the economic situation, compilation of social statistics, money market research, market forecasts and the analysis of the economic operations of the enterprises. The proper management of the external operations of a bank not only offers an objective basis for the management of its internal operations, but also points to new directions which the bank should take in the management of the socialist economy in its external operations and serves to develop to the full the regulatory function of banks.

How to Upgrade the Economic Management of Banks

First of all, there should be a basic change in the concept of bank operations. Our failure to attach sufficient attention to the operations and management of banks over a number of years has created a situation in which the cadres engaged in banking at various levels have cultivated the habit of going about their work in the traditional manner, of doing what they are told by their superiors and sticking to old rules and regulations. For this reason, those in leadership positions in banks at various levels must, in conformance with the current political and economic situation and in the spirit of the line set by the Third Plenary Session of the 11th Party Central Committee, bring about a meaningful change in the concept underlying the economic management of banks.

(1) Banking operations, formerly conducted in line with the highly centralized planned economy and in strict adherence to a plan, must, under the guidance of the plans, policies and principles of the nation, be oriented toward the development of a commodity economy where economic diversity can exist and where public ownership commands a superior position.

(2) Banking operations, which used to resort to administrative measures to engage in bureaucratic practices in carrying out the instructions of the higher-ups, must adopt economic measures to conduct business in the style of the enterprises and in consonance with objective economic disciplines.

(3) Bank operations must break out of the mold which limits the narrow scope of commercial banks to deposits, withdrawals and remittances. They must be expanded to include operations undertaken by modern banks.

(4) Bank operations, instead of adopting the methods used by administrative organizations in the setting up of offices and the assignment of duties, must adopt organizational and leadership methods to achieve economic benefits by reducing the number of procedures, by arriving promptly at decisions and by using flexible means to enlarge production to meet the needs of socialist modernization.

Secondly, the system of bank management must, in the light of the developments of the economic situation, undergo readjustments and reforms. Since the Third Plenary Session of the 11th Party Central Committee, certain reforms have been introduced to the system of bank management such as the short-term and medium-term loan services for installations, the establishment of trust companies, the setting up of organizations to make economic forecasts and the publication of economic indices on a trial basis. However, most of these reforms have to do with the expansion of business operations and the newly-added operations have already exceeded the level which can be achieved by the management of bank operations. For this reason, the strengthening of the economic management of banks is a matter of great urgency. On the basis of the reforms listed above, emphasis should be placed on the solution of certain problems.

(1) Suitable readjustments should be made in the internal organization and leadership of people's banks. There should be a gradual demarcation between the operations undertaken by banks of a commercial nature and banks whose operations are similar to those undertaken by the Central Bank. Suitable people should be appointed to study these problems. The purpose is, by strengthening and improving their operations, to enable the people's banks to assume the functions of the Central Bank and bring about an eventual separation of the Central Bank and commercial banks.

(2) A thorough study should be made of the system of credit management in people's banks so that it may meet the needs arising from the reorganization and merging undertaken by the industries and the enterprises in accordance with the principle of cooperation among the specialized agencies. A determined effort should be made to put credit loans under specialized management.

(3) Credit loan operations presently undertaken by the banks must be studied and improved upon in the light of past experiences and new problems which have emerged. The practice of seeking to reach the target figure set for the amount of loans according to plan must be replaced by the practice of approving each loan application on its own merits in line with a set policy. The practice of seeking to reach the target figure for the extension of loans through arrangement between the banks and the concerned parties must be discontinued. Autonomous powers must be granted the provincial branches in setting up credit loans and their rates of interest.

(4) The people's banks should make a clearcut assessment and summation of the reforms undertaken since the Third Plenary Session of the 11th Party Central Committee on the basis of which they should make further recommendations for readjustments and reforms in line with what was proposed at the discussion meeting on the reform of the industrial management system held this year.

Thirdly, a responsibility system for cadres at various levels should be set up that is centered on the assessment of economic results and work productivity. The scope and purpose of the economic management of banks involve the human factor in the final analysis.

(1) Those in leadership positions in the banks must, under the leadership of the party committee, implement the system of responsibility in a specific work area. Each bank manager should submit a statement defining the scope of his responsibility. It is to be made binding after it has been discussed and approved by the party committee. The bank manager should hold himself responsible to the party committee and to the bank in a higher echelon and should bring a change to a situation created by the collective responsibility system which makes it possible for individuals to shirk their responsibilities.

(2) The duties, missions and requirements of the operational sections and departments should be written out in black and white by the bank manager who, on the basis of work requirements, should determine the type and number of employees. The persons responsible in the sections and departments should also make a list of the responsibilities of their units and should hold themselves responsible to the manager for carrying out those responsibilities.

(3) The cadres in the sections and departments should, on the basis of the nature of their work, make out a list of their job responsibilities.

Fourthly, effort should be made to put the basic bank operations on a sound basis so that they may gradually become more systematized, institutionalized and scientific. The basic operations of banks are as follows:

(1) Statistics and data. The foundation for statistical work in the banks leaves a great deal to be desired and it is inadequate to meet the needs of readjustment in the national economy and the four modernization reconstruction projects. Special units should be set up to undertake the compilation of statistics and data in a serious and systematic manner. Statistical data should be analyzed and studied on a regular basis and reports on the economic conditions in the market should be made.

(2) Forecasts of developments

(3) Research on monetary theories. Research on monetary theories should be undertaken under the policy of combining theories with actual practice so that our minds may continue to be liberated and that it may serve an advisory role in enabling those in leadership positions to make final decisions.

(4) Education and training of cadres

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CSO: 4006/223

FINANCE AND BANKING

REGULATORY FUNCTION OF CREDIT DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese 4 Nov 81 pp 19-20

[Article by Zhou Bonian [0719 0130 1628] and Chen Wenquan [7115 2429 2939]:
"Discussion of Some Questions Regarding Regulatory Function of Loans"]

[Text] How should we, under the socialist system in our country, bring into full play the regulating function of bank loans, promote economic readjustment and achieve greater economic benefits? We wish to present some views on the subject.

Need to Recognize Dynamic Function of Loans

Bringing the regulating function of credit loans into full play would unavoidably involve the restraint, control and interference of credit on production. Some comrades have evinced a feeling of unease that an excess of restraint, control and interference exercised by credit on production would run counter to the principle of placing production in a primary position and capital in a secondary position and that it would put the banks in an anomalous situation. We are inclined to think that such reservations are without a sound basis.

According to the Marxist theory of reproduction, the production of materials provides a foundation for the maintenance of life and the development of mankind. In the course of social reproduction, production plays a primary role since it determines distribution, circulation and consumption. The scale and speed in the use of credit, in the final analysis, are determined by the process of social reproduction. While credit is not without its undesirable effects, it would be wrong to put it in a subsidiary or dependent position in production. On the contrary, loans serve as a powerful backbone in shoring up production.

Credit plays a flexible role in the process of social reproduction. Under the conditions of massive socialist production, the various enterprises would, in the process of reproduction, be confronted with a situation of imbalance in the need for funds in point of time and space. The higher the degree of socialization, the greater is the need which the various enterprises have for credit for reproduction. By using credit as a backbone, the banks, by adopting tight or loose monetary measures, exert an effect on the increase, decrease, suspension or diversion of production by the enterprises. In capitalist countries, credit plays a controlling role in the economic development of a society.

National planning plays the dominant role in China's socioeconomic development. However, national planning cannot be all-inclusive. It can only determine the scope, the direction, the speed and the key construction projects within the nation's macroeconomic sphere, and bring about an overall balance in the nation's economy. In the microeconomic sphere, the nation must rely chiefly on a conscious utilization of various economic levers to achieve readjustments.

On the one hand, credit constitute a part of the total amount of funds for the overall reproduction in society. They are incorporated into the national planning and they contribute to the overall balance of the national economy. On the other hand, they serve the functions, through the banks at various levels, of distribution and redistribution and play an essential role in the circulation of funds during the process of reproduction of hundreds of thousands of enterprises. For this reason, the regulatory function of bank loans is a manifestation of the demands of the state's macro [economic] policies and is a part of the state's planned regulation, it is also a manifestation of the need of the enterprises to accumulate on their own the funds required to bring about a balance of supply, production and sales according to the needs of society. They reflect the need to regulate the market, are used to make up for deficiencies in planned regulation and make our nation's planned economy more scientific and flawless. Such special features as the fast reaction, the fluidity of their regulatory quality, the freedom of their transfer and their power of restraint make loans an extremely delicate link between social reproduction and specific reproduction, macroeconomy and microeconomy, and planned regulation and market regulation. The strengthening of the restraint, control and the necessary interference in the production of the enterprises on the part of the banks on the basis of the needs of the general policy and the unified planning of the nation not only does not violate the principle of putting production ahead of funds, but also reflects the need to set a pace for the development of social reproduction in conformance with a certain ratio in a coordinated manner and to meet the need of strengthening socialist economic planning.

Loans Promote Balance in Supply, Production and Sales

Since the regulatory function of loans forms a link between the interacting regulatory function of national planning and the regulatory function of the market, where should the emphasis be placed on this link or on loan operations? It is our opinion that prior consideration should be given to the sale of products, that is, the promotion of a balance among supply, production and sales.

In credit operations, the achievement of a balance among supply, production and sales has always been the basis for putting into full effect the function of credit. The reason is that supply, production and sales activities basically form a microcosm of the economic activities of the enterprises and serve as a foundation for the development of the national economy according to the plan and in the correct proportions. However, because regulatory measures had in the past been taken for the implementation of one simple plan and because controls exerted by the market had not been taken into consideration, supply, production and sales operations failed to accurately reflect the changes in market demands.

When production plans take on the trappings of administrative orders, they become fossilized whether or not they are justified in the light of actual circumstances. There is lacking in the entire society a force to maintain a constant balance in terms of proportions. Although the plans may be faulty, they remain in force with no possibility of being corrected. In fact, they are even being sanctified by the people. For example, although it is known that there is no demand for certain products, the enterprises continue to produce them as usual according to the plan, the supply or commercial departments continue to supply and purchase materials as usual according to the plan, and the financial departments continue to levy taxes from the enterprises as usual according to the plan. It matters not at all whether the products are in demand, whether they can be put to use, and whether they can be marketed. It is very obvious that the regulatory function of such plans cannot be justified on the basis of scientific facts and that the maintenance of a proper ratio cannot be achieved. Despite all the talk about achieving a balance among supply, production and sales, that was merely used by the enterprises to compete for material supplies and funds. The fact remains that there is no balance among supply, production and sales and that there is a complete dislocation between production and sales. Basically, credit operations by the banks may be summarized thus: "The call is made year after year to dispose of outstanding matters. All the talk about clearing up outstanding matters. All the talk about clearing up outstanding debts remains just talk."

The nation is committed to a planned economy. However, it is also determined to bring into full play the auxiliary function of market regulation. It has brought new vigor to supply, production and sales activities. By market regulation is meant the establishment of a link between production and sales and the determination of the amount of production by the size of the sales volume. The enterprises, which have autonomous powers in their operations, may determine the amount of production according to fluctuations in the supply and demand in the market and establish a coordination between production and circulation on a contract basis. Under such circumstances, the assistance given to the enterprises to achieve a balance among supply, production and sales has acquired a new meaning. As a matter of fact, when circulation is normal, the enterprises have no difficulty in selling their products and in purchasing the necessary material supplies. That is what is meant by regulating the market. When there is a balance among supply, production and sales, the banks, by implementing the plan for the extension of loans, will ensure the progress of social reproduction and the proportionate, coordinated and planned development of the national economy. For this reason, the banks should hold firm to the principle that prior consideration should be given to the extension of loans to those enterprises which enjoy brisk sales and to the establishment of a link between the regulatory function of national planning and that of the market. The replacement of the supply system by the system for the extension of loans on the basis of merit indicates that the regulatory function of credit loans is given increasingly free play under the guidance of national planning.

Purpose of Credit Is To Bring Best Economic Results

There is at the present time a divergence of views as to the purpose of credit. The traditional view is that the purpose of credit is the development of production. However, production is sometimes geared to the needs of society and sometimes production is developed merely for the sake of production. At the present

time, more and more people have come to believe that the purpose of credit is to satisfy the increasing material and cultural needs of the working people. Although much can be said to support the validity of this view, we feel that it has failed to make crystal clear the real purpose of credit.

The needs of society are not abstract but concrete and not naturalistic but socialistic. They are determined by the structure of the needs of society. In a socialist society, so long as the production and the exchange of commercial commodities continue, the structure of the needs of society can only be manifested in the twists and turns of price fluctuations. The emphasis placed on credit by socialist banks is, of course, different from that of capitalist banks which are exclusively concerned about values and surplus values. Rather, socialist banks must place emphasis on assessing the degree of usefulness of the products to which they give their support and thus enable the enterprises to produce more and better products of high quality to satisfy the consumer needs of the working people. Our work experience tells us, from both the obverse and the reverse side, that we must lay emphasis on the function of value and use a smaller amount of funds to bring about greater economic benefits and accumulate a larger amount of funds. It is only thus that we can achieve the goal of expanding production, speeding up the rate of production constructions and satisfying the increasing material and cultural needs of the working people. For this reason, the extension of credit, which constitutes a special feature in the movement of values, must take into consideration the need to achieve the maximum economic benefits, including specific economic benefits and overall economic benefits, to select the most deserving clients and to make the increase in economic benefits in the utilization of funds its guideline and objective.

The Marxist theory of reproduction tells us that, under the circumstances of enlarged socialist production, all economic results are determined by the circulation and revolvment of funds and that the more rapid the rate of revolvment, the smaller the amount of funds is required and the greater is the economic benefit. Generally speaking, the speed of revolvment is in direct proportion to the economic benefits achieved and in reverse proportion to the amount of funds required. Speeding up the revolvment of funds no doubt constitutes an important means to bring better economic results. At the same time, there is a close relationship between the favorable and unfavorable economic results and whether or not the economic structure is sound or unsound. Good results in the utilization of funds reflect the coordinated development of the national economy in the correct proportions. On the other hand, poor results in the utilization of funds indicate a state of imbalance in the national economy. Basically, the goal of the banks in directing their efforts toward the achievement of better results in the utilization of funds is identical to that of socialist production. The regulation of credit not only regulates the various sectors of the national economy and the proportion of funds among the enterprises. It also provides in an objective manner a powerful motive force in speeding up the circulation and revolvment of reproduction operations. Experience tells us that if the banks are to direct their attention to giving support to production and meeting the needs of society instead of seeking the best results in the utilization of funds, they will not only fail to achieve their expected objectives, but will bring the opposite results.

In emphasizing the need to bring better results in the utilization of funds as the purpose of credit loans, we are not denying the supportive role played by the basic socialist economic laws in credit operations. Our pose is to make clear that the function of credit loans should be subservient to, but not replaced by, the basic function of socialist production. The reason is that credit loan operations have their own special features and laws. The special basic features and laws of credit loan operations are the speeding up of the circulation of funds and the use of the smallest amount of funds to achieve the maximum benefits. We had at one time condemned the funds-production-funds formula as being revisionist. Now is the time to restore its good name.

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CS0: 4006/150

PROBLEMS OF FIXED ASSETS DEPRECIATION RATE DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 22, 5 Dec 81 pp 26, 27

[Article by Liu Guoliang [0491 0948 5328]: "Reform of Fixed Assets Depreciation System Should Proceed From Actual Conditions in Our Country"]

[Text] At present, some comrades in economic theory circles believe that the depreciation rate of our fixed assets is too low and that the replacement time is too long. Therefore, they suggest that the system of fixed assets depreciation be reformed by raising the depreciation rate up to more than 10 percent as a means of speeding up depreciation. On this point, I have a different view.

I. Difference Between China and the Technically Advanced Countries With Regard to Fixed Assets Depreciation

First, the process of evolution in the system of depreciation for fixed assets is different. The depreciation rate of fixed assets among the technically advanced capitalist countries was first adopted during World War II and has been gradually raised to the present level after repeated supplements, revisions, and resetting. Let us take the United States for example. In 1942, the U.S. Government set the average period of fixed assets depreciation at 20 years and an annual rate of 5 percent. In 1946, 1950, and 1954, this period was progressively shortened and, by 1962, the depreciation period, compared with that of 1942, was shortened by 30-40 percent and the average depreciation rate was approximately 8 percent. In 1971, again, a fluctuation of 20 percent of the 1962 level was permitted. Since the rise in the rate of depreciation in the technically advanced countries was gradual, no serious effect was produced on the state finances. The situation in our country is different. From the very beginning, the depreciation rate was set fairly low and there has not been any great change in the 30 years since the founding of the People's Republic. If the depreciation rate is raised by a wide margin all of a sudden, what will happen? First, state revenues will be seriously affected. If our depreciation rate is raised to above 10 percent, then the depreciation fund apportioned to the production cost inevitably will be sharply increased; and, if the prices of products remain unchanged, the profits to be handed over and the taxes to be paid to the state will be correspondingly reduced. State revenues will be drastically cut. In Jilin Province, for example, the total value of fixed assets in the province is now approximately 9 billion yuan. If these assets depreciate at an annual rate of 10 percent, more than 0.5 billion yuan will have to be charged. The total

annual revenues in the province amount to only some 1 billion yuan, and the amount to be charged against depreciation will come to nearly one-half of the total revenue. This will certainly be a matter of grave concern for us. Secondly, viewing this matter from another angle, we can see that a large-scale increase of the depreciation rate will disrupt the normal ratio between accumulation and consumption. The depreciation funds which will sharply increase before the fixed assets are due for replacement will certainly be used by the enterprises as investment on new fixed assets as a means of expanded production. This is a form of increased accumulation in disguise. From this, we can see that a sharp rise in the depreciation rate will certainly lead to a disproportion between accumulation and consumption with adverse effects on the national economy and people's livelihood.

Secondly, the material conditions for the replacement of fixed assets are different. As we know, according to Marx's theory on production, the speed and scope of the replacement of fixed assets are influenced and restricted by the speed and scope of the development in the manufacturing, building, and building materials industries. In the technically advanced countries, their high productive forces and the rapid growth of their manufacturing, building and building material industries, along with that of other industries, have provided a strong material foundation. The large sums of depreciation funds as a form of value, acquired by the capitalists through a higher depreciation rate is backed up by a corresponding amount of means of labor (material supplies and equipment) in a material form, and the requirements of a large-scale replacement of fixed assets can be fully met. In China's present situation, however, the levels of science, technology, and productive forces are all quite low; and the development of the manufacturing, building, and building materials industries, like that of other industries, is quite slow. According to data in a general national survey conducted in 1978, every 10,000 yuan's operating expenditure called for the consumption of 1.6 tons of steel, 24,000 cubic meters of timber, and 5 tons of cement in addition to 4,800 yuan's worth of equipment and other materials. Material supply conditions in Shanghai are considered to be good. Yet each year, only approximately 30 percent of its requirements for technical measures could be met and, generally, only 10 percent, but never more than 30 percent, of the supplies required could be obtained through planned channels. According to another survey, a fairly large portion of depreciation funds has to be deposited in banks every year because these funds cannot be used for the purchase of materials or equipment. The problems of shortage of material supplies and machinery and equipment cannot be solved at least in the near future. If we have only depreciation funds as a form of value which is not backed up by the means of labor in material form, the replacement of fixed assets would still be out of the question. Then what is the use of increasing the depreciation funds?

It is true that the shortage of materials and equipment at home can be made up by imports from abroad. This measure, however, is subjected to the restriction of foreign exchange. Our foreign exchange earnings from our exports are very limited. Even though our total foreign exchange earnings are spent on importing these materials and equipment, it still cannot solve many problems for the country as a whole. Conditions of foreign loans or "compensatory trade" are quite harsh, since the interest rate for foreign loans is as high as 10 percent or more. Furthermore, large-scale importation of foreign materials and equipment

will, in the long run, adversely affect the development of our own manufacturing, building, and building materials industries. Therefore, we must carefully weigh the pros and cons before importing foreign goods. We must guard against any blind or headstrong action.

Thirdly, the conditions of invisible wear and tear of fixed assets are different. After World War II, competition intensified among different countries and among different monopoly groups within the capitalist countries; and the rapid development in science and technology speeded up the invisible wear and tear of machinery and equipment. For a timely remedy of this wear and tear, and to strengthen their own position in the competition, the monopoly capitalists have vied with one another in shortening the period of depreciation by raising the depreciation rate. In our country, however, the levels of economic management, productive forces, and consumption are all low, while competition among enterprises is basically nonexistent. It is true that there is now competition, but this competition is under the leadership of state planning and vastly different from the anarchic competition in the capitalist countries. It is also true that invisible wear and tear also exists in our country, but it is not so obvious as in the technically advanced capitalist countries. Judging from the first set of conditions of invisible wear and tear, we can see that the outlay in reproducing the greater portion of machinery and equipment has been reduced, but not by a wide margin. For example, let us take five common machine tools of the same specification. In 1957, the total of invariable prices was 41,100 yuan and, in 1979, it was 34,500. Thus, in 13 years, the prices dropped by 16.1 percent. Now, from a second set of conditions, we can see that some new types of technical equipment of higher productive capacity and with good economic effects have emerged and been put to use; but their application has not been widely popularized. In the enterprises, many items of machinery and equipment are vintage 1950 and 1960. Therefore, the depreciation of fixed assets is largely attributed to the wear and tear of material objects; and, in the majority of cases, the invisible wear and tear have not yet reached the stage for the equipment to be written off.

After these comparisons, we can clearly see that, as far as the depreciation of fixed assets is concerned, the situation in our country is different in many respects from that of the technically advanced countries. If we only mechanically copy the methods of foreign countries--especially the methods used by the technically advanced countries in raising the depreciation rate--instead of making a comprehensive analysis, we will not only fail to accelerate our national economic development but, also, create handicaps to it. It will be a case of "more haste, less speed." Therefore, in studying this problem and in formulating any policy, we must take full account of these differences.

II. Main Problems in the Use and Control of Our Present Depreciation Fund

First, in the appropriation of depreciation funds, the portion left at the disposal of the enterprises is far too small. Among those enterprises not yet participating in the experiment of profit sharing, the depreciation funds are apportioned according to the 2:3:5 ratio, meaning that 30 percent will go to the central government; 20 percent to the local government, and 50 percent to the enterprise. Actually, however, the enterprise cannot obtain the full 50 percent

because, out of this 50 percent, the departments in charge have to collect 20-30 percent; and, some times, a portion of the remainder has to be used to fill some gaps as instructed by the higher authorities. Thus, the depreciation funds left for the enterprise will be very little and hardly sufficient for the enterprise to solve its minor problems. Then how can there be any complete replacement of equipment to speak of?

Secondly, there are many ways for depreciation funds to be diverted to other uses. Because of some gaps in planning for capital construction projects, some enterprises have used the retained depreciation funds to fill these gaps. Some local governments have also used the depreciation funds of enterprises to repair roads, to build up civilian air defense, to construct dormitories, or to make certain industrial readjustments. According to investigations conducted in some localities, only approximately one-third of the total depreciation funds is truly used on the replenishment of part of the fixed assets. Then how can the replacement of our fixed assets be fast?

Thirdly, the use of depreciation funds has not been fruitful. We understand that many enterprises have overextended themselves, produced goods of inferior quality, and incurred economic losses because of the lack of planned control over the depreciation funds, the lack of a material and technical backing, and the absence of a construction force.

According to what has been analyzed, we can see that the slow replacement of fixed assets in our country cannot be entirely attributed to the low depreciation rate because the inefficient control of depreciation funds is also one of the major causes. It would be improper for these conditions to be overlooked in attempting any reform of the system of fixed assets depreciation.

III. Some Ideas in Reforming the Fixed Assets Depreciation System

In view of the difference between our country and the technically advanced countries with regard to the depreciation of fixed assets, any reform of the fixed assets depreciation system should proceed from the actual conditions in our country. My ideas can be worked out in three different stages.

In the first stage, the enterprises should retain a higher proportion of the entire depreciation funds. As we know, depreciation funds are intended as a form of compensation for the value lost in the wear and tear of fixed assets including machinery and other equipment used in the process of production. As Marx said, "Without this kind of compensation, production will be basically impossible." ("Collected Works of Marx and Engels" Vol XXV p 945) Therefore, we may consider raising the portion of depreciation funds to be placed at the disposal of the enterprises to 70-80 percent of the total amount. (It should be noted that this is only a temporary expedient.) The portions collected by the central and local governments should also be used on the replacement of the enterprises' fixed assets, but not for other purposes.

In the second stage, the entire depreciation funds should be retained by the enterprises for their own use. After some time, when our national economy has improved to a certain extent, it may be possible for the state, the local governments, and the departments in charge to stop using any depreciation funds so that

the entire amount will be left for the enterprises. Then there will be a far better chance for the fixed assets to be replaced. What shall we do with the depreciation funds of the newly built enterprises if they cannot be used for the time being? Some comrades have proposed that these funds be deposited in a special account in the construction banks or the investment banks for the banks' overall utilization. Provided the interests of the depositors are fully protected, these funds can be used as loans to finance construction projects or in aid to the old enterprises which are short of funds for the renovation or transformation of their equipment. I fully agree with this proposal.

In the third stage, along with the rapid development of our science and technology and the large-scale increases of our productive forces and national revenues, the gradual rise in the rate of depreciation can be considered. My idea is that, after a certain number of years, the rate can be raised by 0.5 percent or 1 percent at intervals of several years. Then the difference between our fixed assets depreciation rate and that of the technically advanced countries will be gradually reduced.

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CSO: 4006/187

FINANCE AND BANKING

SUGGESTIONS MADE FOR RAISING CONSTRUCTION FUNDS

Beijing CAIZHENG [FINANCE] in Chinese No 11, 6 Nov 81 pp 8-9

[Article by Liu Lixin [0491 4409 2946]: "Some Suggestions for Raising Construction Funds"]

[Text] There are two points of view on the availability of capital in the nation. One point of view is that funds are not available because the nation's finances are in the red, the banks keep printing banknotes and commodity prices continue to climb. Another point of view is that, although the government's coffers are empty, the reform of the system has breathed new life into the positive attitude of the various parties concerned, that the local governments, the enterprises and the people are not strapped for cash, and that by adopting the proper methods, it is still possible to raise a certain amount of funds for certain essential construction projects. I tend to agree with the latter point of view. While it is true that there is a shortage of capital in our country, it is still possible, by adopting a variety of judicious measures to suit different circumstances, to raise a certain amount of supplementary funds for certain essential construction projects by using the banks' reapportionment as financial reapportionment.

Looking at the question from the point of view of the Construction Bank, I personally feel that consideration should be given the following methods for raising funds:

(1) Joint investment by the central and local governments. The Second Power Station of the Minhsing Power Plant in Shanghai with a 125,000-kilowatt capacity may be taken as an example. Joint investment is made by the Ministry of Electric Power Industry which contributes 37.8 percent of the cost and the Shanghai Municipality which contributes 62.2 percent of the cost to be financed by the Construction Bank in the form of loans. After the Second Power Station has been built, the profits are to be returned to Shanghai for investment purposes. Before repayment has been made for the investment made by Shanghai, the power station will not be incorporated into the national electricity network. Rather, it will supply an amount of electricity to Shanghai in proportion to its investment. This station started production in October 1980 and produced 150 million watts for the year. The number of joint investment projects by the central and local governments will continue to proliferate.

(2) The local governments are to raise funds for construction projects approved by the central government by authorizing construction banks to issue stock certificates. Yantai Prefecture in Shandong, for instance, is lacking in electricity but is rich in coal. In support of industrial and agricultural production in the Yantai area, the State Planning Commission has approved the construction of an electric station in Kengkou in Lungkou County. Of the investment required for the construction of a 200,000-kilowatt power plant in the initial stage, the Ministry of Electric Power Industry is to be responsible for 36.4 percent of the cost. As the construction work proceeds, the plant is to be incorporated into the national plan and the Construction Bank is to provide the funds in the form of loans instead of the allocation of investment funds for basic construction projects. With the approval of the Shandong People's Government, the Yantai administrative office is to authorize the Yantai central branch of the Chinese People's Construction Bank to issue on its behalf Lungkou power station construction stocks to cover the remaining 63.6 percent of the investment to be purchased by the local enterprises and people's communes which stand to benefit from the project. Preliminary work is being done to put this project into operation. In the future, all projects which are likely to be economically feasible may adopt this method for raising the needed capital. The importance of the role that can be played by people's communes should not, of course, be minimized.

(3) Housing construction deposits and loans. Those business and administrative units which are responsible for raising construction funds are to deposit capital funds into the local construction bank. When the amount of the deposit reaches some 50 percent of the housing investment, the planning department is to give its approval to standardized construction while the supply department is to allocate the necessary rolled steel, cement and lumber. If the capital is found to be insufficient while construction is in progress, the Construction Bank is to extend the necessary loan. When construction is completed, housing is allocated according to the amount of capital put in by the various parties. By using the funds amounting to less than 50 percent of the housing investment deposited by business and administrative units to support those units with deposits exceeding 50 percent, the Construction Bank is able to proceed with the construction of much needed housing without running the risk of credit expansion. This will not only remove the difficulty encountered by small families in acquiring land, tearing down and moving houses, drawing up plans and proceeding with construction, but will also be of benefit to city planning, the economic use of land and beautification of the environment. This method has been adopted in many areas in Shandong, Guangdong, Shanghai, Shijiazhuang and the Northeast on a trial basis.

(4) Development of "domestic compensatory trade." For instance, Shanghai is short of building materials while some provinces are rich in resources but short of capital. Quite a few units in Shanghai engage in "compensatory trade" by lending money to the provinces for setting up plants which produce construction materials. Through "compensatory trade," it is possible to adjust the surplus and shortage of funds and materials, enliven the economy and increase production and income. The chemical engineering construction team in Shanghai gave a 500,000 yuan loan to the Qixi Cement Factory in Wuxing County in Zhejiang for dredging

and alterations. Between 1981 and 1983, the cement factory will provide Shanghai 3,000 tons of No 400 cement annually. During 1980, the Shanghai branch of the Chinese People's Construction Bank consummated 15 such "compensatory trade" deals. While the contracts are still valid, the various provinces are entitled to supply Shanghai with 1 billion red bricks, 350,000 square meters of magnetic bricks, 18,000 tons of cement, 2.68 million tons of yellow soil, 270,000 tons of stone products and 2,500 cubic meters of lumber.

(5) Establishment of trust operations to absorb capital. The financial departments in over 10 provinces, municipalities and autonomous regions such as Liaoning and Heilongjiang are to authorize the construction banks to establish investment trust companies to maximize the role of local banks. Quite a few enterprises have also authorized reconstruction banks to invest in the establishment of factories. The Luzhou Natural Gas Plant in Sichuan, for instance, has set up an export paper mill by investing production and development funds in the Luzhou Paper Factory by authorizing the Construction Bank to handle the operation.

(6) Unified administration of depreciation funds of enterprises and extension of loans for renovation of equipment. Depreciation funds, otherwise known as compensatory funds, are also known as accumulated funds. Unfortunately, there is a lack of tight control over such funds. Too much of it is used for accumulation (for expanding production capacity) and too little for compensation (renovation equipment) since a part of it goes into the revolving fund with the result that many of the buildings owned by the enterprises fail to meet safety standards and much of the equipment is technically outdated and overaged. Since the establishment of the republic, the depreciation funds drawn by the enterprises went into the national coffers the first 16 years and were loaned to the enterprises in the last 16. A part of it is retained or taken out by the government, the locality or the department concerned. Most of it is used for the extension of expanded reproduction. The part that is left for the enterprises is used mostly for the extension of expanded productive capacity within the factories. Some of it is used to "fully equip factories large and small" and very little is used for the renovation of equipment. Unless this problem is solved in time, the collapse of unsafe buildings and the breakdown of overaged equipment will create a serious setback to the national economy.

Experience has proved that paying depreciation funds into the national coffers is no guarantee that the equipment of the enterprises will be renewed or that technical improvements will be made, and that loaning the entire amount to the enterprises is similarly no guarantee that simple reproduction will result in the absence of a sound administration system and of vigorous administrative measures. It is suggested that the following administrative methods be adopted.

1. Depreciation funds should be deposited in a special account in the Construction Bank to be used only for the renovation of factories and equipment. Before the renewed debts have been fully repaid, the depreciation funds drawn by the enterprises are not to be used for new constructions for the expansion of the productive capacity, the basic construction of expanded building projects or for payment into revolving funds. The enterprises are to use their own funds

for the renovation of buildings and equipment. If the funds are insufficient to meet the requirement, the enterprises may apply to the Construction Bank for a loan. The idea is for the bank to take over the function of regulating the extension of loans from the financial authorities and the departments.

2. A plan must be drawn up for renewing and renovating construction projects. It must be comprehensive, balanced and coordinated. When it is approved, it should be administered by the concerned departments at various levels. Items of a basic construction nature are to be dealt with according to the procedure for basic constructions. Items involving alterations and renovations are to be handled by the enterprises or the concerned departments. Planning should be made to permit a measure of elasticity.

(7) The government is to issue energy construction bonds or construction bonds. The money for issuing such bonds is to be loaned to the construction banks by the Ministry of Finance for the extension of loans for the development of energy and the repayment of loans is to be made to the Ministry of Finance. The difference in the interest rates is to be absorbed by the Ministry of Finance.

(8) For particularly large projects commissioned by the government, the Construction Bank will issue "government-backed bonds," which can be subscribed for by the benefiting departments, regions, and enterprises.

(9) Absorption of available funds accumulated by the cultural, commercial and handicraft organizations for the development of their necessary construction projects. The Construction Bank is to extend loans when there is a temporary shortage of construction funds. The Ministry of Culture has already reached an agreement with the Chinese People's Construction Bank that during the Sixth Five-Year Plan, the Ministry of Culture will hand over 200 million yuan to the Construction Bank which will provide loans for the construction of movie theaters in the small cities and towns. Generally speaking, a 1,000-seat movie theater is to be built at a cost of about 150,000 yuan in a town with 5,000 people and a population of 2,000 in the peripheral area. The loan is to be repaid in 5 or 6 years. Henceforth, the Ministry of Culture will manage the 200 million yuan by itself. The cost is smaller and the result is better than it would be if the government were to make interest-free investments. The project would not only offer employment opportunities, but would also promote cultural activities in the rural areas and the return of cash to the banks.

(10) Establishment of postal savings on a trial basis. Post offices should take advantage of their vast network and wide contacts to institute postal savings operations. The idea is for the post offices to absorb deposits which are to be turned over directly to the reconstruction banks to be used for essential construction projects. The construction banks may, according to a fixed ratio, use the deposits to extend loans on a priority basis to the Ministry of Posts and Telecommunications for the development of postal and telecommunication services. The difference in the interest rates is to be absorbed by the Ministry of Finance.

In order to facilitate the raising of funds in China, there should be a reasonable increase in the rates of interest. As a matter of principle, the interest on deposits should be higher than the increase in the index of commodity prices, the interest on loans should be higher than the interest on deposits, and the interest on long-term investment loans should be higher than the interest on short-

The funds raised by construction banks should be used under the guidance of national planning. The raising of funds and the extension of loans should come under the overall planning of the Ministry of Finance. The loan items should be studied by the planning commission, the construction commission, the economic commission or the concerned departments and commissions and evaluated by the Construction Bank. Loans should be extended to the most qualified applicants. They should be made against collateral and repaid on time to ensure the best economic results.

9621

CSO: 4006/185

FINANCE AND BANKING

BRIEFS

LHASA SAVINGS DEPOSITS--Lhasa, 22 Jan (XINHUA)--Urban savings deposits in Lhasa, capital of the Tibet Autonomous Region, were 38 million yuan at the end of 1981, a 3.1 percent increase from 1980, according to the Lhasa branch of the People's Bank of China. Bank deposits of peasants and herdsmen in the city's rural areas were some 2.5 million yuan, a 55.3 percent increase from 1980. Urban savings deposits increased 40.85 percent and rural savings 106.53 percent from 1979, the branch said. [OW291445 Beijing XINHUA in English 0738 GMT 22 Jan 82]

LHASA REISSUES BUSINESS LICENSES--Lhasa, 24 Jan (XINHUA)--Business licenses which were taken away during the Cultural Revolution between 1966 and 1976 have been reissued to 1,200 individuals in Lhasa, according to the city's commercial department. These individual small businesses include retail sales, catering and the service trades. Some have shops, while others have stalls along the streets or sell goods from place to place. The small businesses provide beef, mutton and butter for the Lhasa market. There are 18 stalls selling beef and mutton and 40 stalls selling butter at a market within the old city of Lhasa. Seven Islamic beef and mutton stalls on Bajiao Street cater to people of Hui nationality. Individual businesses are exempt from taxes for the present. Bank loans are provided for persons in the catering and service trades who need help. Moreover, commercial units in Lhasa have set up wholesale departments to serve these small business people. They are allowed to sell those commodities they have bought at negotiated prices at a price slightly higher than the state price. [OW291445 Beijing XINHUA in English 0232 GMT 24 Jan 82]

CSO: 4020/90

MINERAL RESOURCES

BRIEFS

INCREASE IN GOLD OUTPUT--As indicated by the information supplied by the Ministry of Metallurgical Industry, the situation regarding gold science, technology and production in recent years has never been so good in our country since the founding of the republic. Last year's gold output topped the record level of the past, and output this year will be higher than last year. A group of state-operated gold mine bases have been built. Technical transformation is given widespread importance and advanced techniques are adopted, resulting in a constant rise in the production level. For example, at the Honghuagou gold mine, the masses were stimulated to carry out innovations in mining methods last year. The process of keeping ore in shallow holes was changed into one of filling, thereby cutting down loss and ore dilution, improving the grade of ore extracted and overfulfilling the annual output target. Peasants' collective ventures for extracting gold have undergone new development in recent years. In Liaoning, Inner Mongolia, and Hebei provinces and region, the masses have been stimulated and aided to extract gold. In some areas, a policy of "supporting agriculture with gold" is pursued, with the result that the peasants' enthusiasm for collective extraction of gold is brought into play and the income from gold mining is used to aid agriculture and commune-brigade enterprises. [Text] Hangzhou ZHEJIANG RIBAO in Chinese 14 Nov 81 p 3] 9780

CSO: 4006/174

INDUSTRY

BRIEFS

MILITARY ENTERPRISES PRODUCE CIVILIAN GOODS--Wuhan, 16 Jan (XINHUA)--Construction of a production complex capable of manufacturing 100,000 sewing machines annually has been completed in Wuhan in 1 year. Quality of the 500 sets of "Goddess brand" sewing machines produced by the complex on a trial basis is up to standard, and their precision and performance are basically the same as the "Bee brand" sewing machines produced by Shanghai. The production complex has been officially put into operation after it was checked and accepted by the Wuhan Municipal People's Government recently. Early last year, Wuhan organized 14 war industrial enterprises and 7 civilian plants to utilize their surplus buildings, equipment and technical forces to establish a sewing machine production complex according to the principle of division of labor and coordination among specialized departments. Within 1 year, these enterprises built more than 40 spare-parts production lines and a general assembly plant capable of assembling complete sets of sewing machines. In building this production complex, over 3.9 million yuan of loans, or approximately 40 percent of the investment needed for building a new plant of equal size, were used; but construction period was shortened by 2 years. At present the various enterprises of the sewing machine production complex have intensified their production. It is estimated that 50,000 sets of sewing machines can be produced for the market this year. [Text] [OW171035 Beijing XINHUA Domestic Service in Chinese 0224 GMT 16 Jan 82]

CSO: 4006/261

CONSTRUCTION

METALLURGICAL, CHEMICAL, BUILDING MATERIALS INDUSTRIES VIEWED

Metallurgical Industry

Tokyo CHUGOKU KOGYO NO SHOBUTSU KENSETSU SEIKA in Japanese Apr 81 pp 1-7

[Article: "Construction in Chinese Industry--Metals, Energy, Chemicals, Transport, Electronics, and Building Materials by Province." Chapter I - Nationwide Outlook of Construction]

[Text] Preface

This book consists of a compilation of China's achievements in the construction of metallurgical industry (steel and nonferrous metals), energy-related industry (coal, electric power, energy conservation), transportation-related industry (railroad, automobile, highway, shipping, aviation), chemical industry, electronic industry, and building materials industry over a period of 3 years, 1978-1980. It is a sequel to the previously published books entitled "Construction in Chinese Industry--Electric, Transportation-Related, Iron and Steel, and Oil, Industry by Industry" and "Construction in Chinese Industry (II)--Coal, Nonferrous Metals, Building Materials, and Electronics, Industry by Industry." However, unlike the two previous volumes, which were compiled according to the industry, this book consists of 1) nationwide general conditions of construction, and 2) achievements in construction by province, city and autonomous district. Emphasis was placed on the second category in order to concentrate on the trend of construction according to the region.

This volume, like the two previous volumes, is based on official Chinese reports and other sources. The materials are simply rearranged and organized according to region and industry without the addition of any estimate or statement by the editor. Therefore, the source(s) of data is always clearly indicated. The purpose of compiling this book is to provide reference material for those who are interested in understanding the recent trends in the main fields of China's industry.

Although the period of study covers only 3 years, the volume of information dealt with is very large because of the large number of fields studied and also the increased volume of information which has become available in recent years. Therefore, we had to limit the information sources mainly to RENMIN RIBAO and XINHUA NEWS AGENCY releases on account of the limited number of pages and the

length of compilation time. The sources of information used and the corresponding periods are as follows.

1. RENMIN RIBAO: January 1978 - February 1981.
2. XINHUA NEWS AGENCY releases: January 1978 - March 1981.
3. Major Japanese newspapers: January 1978 - February 1981.
4. NITCHU KEIZAI DATA: January 1978 - January 1981.
5. China Encyclopedic Yearbook (China Encyclopedia Publishing Company), 1980 issue.

Besides these, the CHINA BUSINESS REVIEW, "Overseas Market" (Japanese Trade Promotion Society), October 1980 issue; "Oil and Petrochemistry" (Sachi Publishing Company), December 1979 issue; and T KUNG DAO, GUANGMING RIBAO, and HONGQI were also used as appropriate.

I. Nationwide General Conditions of Construction

1. Metallurgical Industry

(1) Policies and Plans Pertaining to Metallurgical Industry

A plan to increase iron and steel production at the rate of 4-5 million tons, or even 6 million tons, annually for the next 23 years was confirmed at the national conference of the metallurgical industry held from late 1977 to early 1978 (RENMIN RIBAO, 9, 18 January 1978). (See Table 1)

A plan to increase the crude steel production to 60 million tons by 1985 was hammered out during the first meeting of the Fifth National People's Congress held in February 1978 (RENMIN RIBAO, 27 February 1978). Basic agreement between Japan and China concerning construction of the Baoshan Steel Mill in Shanghai was signed in December 1978. In view of the fact that in 1978 crude steel production exceeded 30 million tons, Minister of Metallurgical Industry Tang Ke said at a press conference that the production capacity can be increased to 40 million tons within 1 or 2 years through renovation of the existing facilities. Planned new construction amounting to a capacity of 20 million tons includes 6 million tons at Baoshan, 10 million tons due to new construction at the Jidong Steel Mill, and 4-5 million tons due to new construction adjacent to the Anshan Steel Mill. It would appear that a system capable of producing 60 million tons by 1985 is shaping up (YOMIURI SHIMBUN, 25, 26 December 1978).

However, with the Third Plenary Session of the 11th Central Committee of the CCP held in December 1978 as a turning point, the previous economic policy in favor of heavy industry centered around iron and steel has been reevaluated, and the editorial column of RENMIN RIBAO on 24 February 1979 pointed out the following mistakes on the premise that the policy of "steel as the pivot point" is not an unchangeable ideal for industrial development. For a long time, the specific

weight of investment in iron and steel was kept high, and as a result of the preferential treatment received by the iron and steel industry: 1) certain iron and steel plants could not operate at full capacity after they were built simply because the supportive and incidental conditions such as fuel and power could not keep up with them; 2) when the production index for iron and steel was raised, only the volume of production was emphasized, without regard to the type and quality of products, creating a shortage of steel material while steel blocks were accumulating.

Vice Chairman of the National People's Congress Tan Zhenlin, said in June 1979 that the target for 1985 crude steel production had been revised downward from 60 million tons to 40 million tons (NIPPON KEIZAI, 26 June 1979).

At the national metallurgical industry work conference held in January 1980, the following 10 items were listed as the activity goals of the 1980's: 1) Production of steel materials (small die-rolled steel material, thin plate, high-grade steel, etc) which are in short supply will be increased by 1 million tons over that in 1979; 2) the passing rate of the reexamination carried out by users will be used as a measure of the quality of metallurgical products; 3) to raise the standard of the main metallurgical products to a level acceptable to the world market; 4) to upgrade the 1.7 m rolling machine at the Wuhan Iron and Steel Complex so that in normal production it will be able to produce steel material of a high standard and so that the product can enter the world market; 5) to emphasize the construction projects associated with the Baoshan Iron and Steel Complex, a copper base in Jiangxi Province, and an aluminum plant in Guizhou; 6) to reorganize the mines aggressively; 7) to solve the problems related to the variety and quality of metal products necessary for the military industry; 8) to raise the yield of steel materials by 1%; 9) to conserve 1.5 million tons of standard coal by the key iron and steel enterprises; and 10) to raise the profit far above the 1979 level (XINHUA, 25 January 1980).

A thesis entitled, "The Direction of Development of China's Iron and Steel Industry," published in GONGREN RIBAO on 7 July 1980 pointed out the present status and the future prospect of China's iron and steel industry as follows. Estimated on the basis of the present annual production capacity, it is possible to increase production, through various means such as exploitation of potential, renovation of technology, improvement of facilities, to 3 million tons by the local iron works. Adding to this the annual capacity of the Baoshan Steel Mill amounting to 6 million tons, the total annual production of crude steel can be increased to 55-58 million tons in the near future (large works: 43 million tons, Baoshan: 6 million tons, medium and small works: 9 million tons).

However, a period of economic reorganization involving a large reduction in capital construction began in 1981, and as a result the second-stage construction work of the Baoshan Steel Mill has been discontinued. Moreover, the planned 1981 iron and steel production goal has been reduced to 33 million tons as a result of putting more emphasis on agriculture and light industry (XINHUA, 7 March 1981).

(2) Achievement of Metallurgical Industry

In 1979, more than 9,000 new products and new materials were successfully trial manufactured by the Ministry of Metallurgical Industry: 1) The Taiyuan Iron and Steel Complex, the Wuyang Iron and Steel Complex, and the Shanghai Copper Plant successfully trial manufactured large-scale copper-steel composite plate, ultra low carbon pure iron plate, and large-diameter silicon-manganese-steel pipe used in the high-energy physics proton accelerator. 2) The Shanghai Iron and Steel Research Institute successfully trial manufactured steel belt and steel pieces used in the color Braun tube, significantly lengthening the useful life of the Braun tube. Moreover, an air eliminating agent developed by the institute and used in making fluorescent lamps is said to be capable of prolonging the useful life of the fluorescent lamp 4-5 times. 3) The Tianjin Metallurgical Material Research Institute and the Shanghai No 3 Cold Roll Belt Steel Plant successfully trial manufactured stainless-steel-clad copper used in wrist watches, nickel-plated material, and double-edged stainless steel blade. 4) The black synthetic diamond blade and bit and other new bits used for boring through deep hard strata in oil wells developed by the Tsitsihar Steel Mill set a new record for boring speed. 5) The Shanghai Iron and Steel Research Institute successfully trial manufactured titanium alloy spring wire and thus solved the problem related to an important material used in valves which are used at 13 large-scale urea plants. 6) The Luoyang Refractory Material Research Institute successfully trial manufactured a high purity aluminum silicate fiber product which is 70 percent lighter than the conventional alumina brick; by using this refractory material, a gas saving of approximately 30 percent can be achieved. 7) A titanium alloy frame for an artificial heart tricuspid valve and artificial biological heart valve, and a high strength titanium alloy bonesetting plate developed by the metallurgical units at Guangzhou, Lanzhou, and Jilin were clinically tested in 10 hospitals nationwide with good results (XINHUA, 11 January 1980).

In 1979, a profit of 5.5 billion yuan was achieved by the Ministry of Metallurgical Industry (18 percent increase over that of the previous year). Forty-four out of 141 key enterprises achieved a more than 30-percent increase in profit. The Chongqing Special Steel Plant, the Fushun Iron Works, and the Xining Iron Works grew from 60 to 80 percent. The metallurgical enterprises in Shanghai achieved a profit totalling 1.3 billion yuan (22 percent increase over that of the previous year) (XINHUA, 13 January 1980).

(3) The State of Affairs in Iron and Steel Production

In 1979, the capital construction investment in the metallurgical industry decreased 45 percent from that of the previous year. Furthermore, the construction work of 38 large and medium-scale projects was either discontinued or postponed. More than 240 small iron works and mines were closed (XINHUA, 25 January 1980).

Since 1979, the existing 501 small iron and steel works have been classified according to performance, and 150 works with huge deficits have either been closed down, stopped operation, merged, or been converted. As a result, the remaining 70 percent of the enterprises have been able to increase their

operational management standard and technical standard. In 1978, 55 key small iron works nationwide were designated for technical reconstruction, and various measures, including enriched ore processing, reconstruction of raw material storage area and reconstruction of hot air furnace, have been implemented. As a result of implementation of these measures, the iron-to-coke ratio of local small iron works has seen an overall decrease, while the pig iron passing rate has been raised significantly. During the first quarter of 1980, nationwide the small-scale iron works went into the black for the first time, and good conditions continued during the second quarter period also. Furthermore, many measures, including reorganization and reconstruction of enterprise management, have been undertaken by the local small iron works. In Liaoning and Sichuan provinces, a fixed sum subsidy method has been in effect since 1979, and good results have been achieved. This method consists of the following rules: 1) The amount of subsidy is determined by the financial department; no subsidy in excess of the fixed sum will be awarded even if the loss due to poor management exceeds the designated sum of the subsidy. 2) The unused portion of the subsidy is given to the plant for its own use (XINHUA, 12 July 1980).

In 1979, medium-scale metallurgical enterprises began to go from the red into the black. Among the 50 medium-scale iron and steel plants, the number of plants that went into the black increased from 16 in 1978 to 22. The Liuzhou Iron and Steel Plant in Guangxi, which was in the red for 13 years in a row, began to make a profit starting in June 1979. The profit of the Hangzhou Iron and Steel Plant increased 50 percent over that of 1978. The number of small metallurgical enterprises which were in the red dropped significantly. In 1979, a large number of small blast furnaces, which consumed a large quantity of raw material and were costly to operate, were either shut down or stopped operation; nevertheless, the total production of small iron and steel enterprises increased and the deficit was reduced by 200 million yuan (XINHUA, 13 January 1980).

In 1979, the total energy consumption of the iron and steel industry (calculated on the basis of standard coal having 7,000 kilocalories/kilogram of heating value) dropped 1 million tons compared with that of 1978. The total energy consumption per ton of crude steel dropped from 2.51 tons of standard coal in 1978 to 2.28 tons (based on a report made by Yao Yilin at the Third Plenary Session of the Fifth People's Congress; RENMIN RIBAO, 1, 2 September 1980).

In 1980, the metallurgical industry emphasized the production of urgently needed products such as steel rod, thin plate, wire, and welded steel pipe. From January to October production of these products increased 3.37 million tons over that of the same period in 1979. Production of steel plate and other products which were not in urgent demand, in fact, decreased from that of the same period in 1979. Moreover, while the energy consumption was reduced, the quality of crude steel, steel material, and pig iron was improved. According to the statistics of key enterprises, the coke ratio for the period January to October 1980 was 539 kg, a reduction of 14 kg from that of the same period in 1979. The per-ton electric furnace energy consumption and the per-ton open-hearth furnace oil consumption decreased 13 kWh and 7 kg, respectively (XINHUA, 18 November 1980).

Medium-scale iron and steel enterprises made a profit amounting to 210 million yuan during the period January to September 1980. These enterprises were 27 million yuan in the red during the same period in 1979. The small enterprises made a profit amounting to more than 140 million yuan during the period January to September 1980. These enterprises were more than 330 million yuan in the red during the same period in 1979. Approximately 300 medium- and small-scale iron and steel enterprises have either been shut down, stopped operation, merged, or been converted from the time the plan for reorganization was implemented up to the end of September 1980; the number of blast furnaces involved was 287, and the number of small mines was 85 (XINHUA, 3 November 1980; RENMIN RIBAO, 20 November 1980).

The reduction in size of the iron and steel industry was not quite sufficient, so by the end of November 1980 the steel material accumulated was nearly 20 million tons--170,000 tons more than was in stock at the beginning of the year (Shanghai WENHUI BAO, 29 January 1981).

(4) Iron Ore

The iron ore reserves in China are said to be as much as 44 billion tons, occupying third place worldwide. New coal mines having an annual production capacity of 100 to 150 million tons are being developed in Huadong, Huabei, Nei Monggol, and other areas. Open-pit exploitation occupies more than 90 percent of the total iron ore production in China. However, only a small amount of high-grade iron ore is present (XINHUA, 22 September 1980; HONGQI, No 20, 1980).

(5) Nonferrous Metals

There are more than 50 kinds of metal mineral products in China, each with rich reserves, and more than 50 percent of the nonferrous metal production is carried out by means of open-pit exploitation. However, they have the following problems: 1) Although there are large reserves of molybdenum, copper, and bauxite, the amount of high-grade ores is small. 2) The majority belong to symbiotic ores which are difficult to separate, sort, and scour. China's vanadium reserves are the largest in the world. However, the deposits consisting mainly of vanadium constitute only 9 percent of the total reserves. The rest is distributed among other minerals, so the recovery rate is quite low. 3) China is critically lacking in a number of minerals, including diamond and chromite (HONGQI, No 20, 1980; XINHUA, 22 September 1980). (See Table 2)

Chemical Industry

Tokyo CHUGOKU KOGYO NO SHOBETSU KENSETSU SEIKA in Japanese Apr 81 pp 16-18

[Text] 3. Chemical Industry

(1) Chemical Industry Construction and Related Policy

There are approximately 20,000 different types of products manufactured by the chemical industry system, 70-80 percent of which are closely related to agricultural,

light and textile industrial production. (See Table 3) In 1980, the chemical industry achieved its production goal ahead of time with an increase in the gross product of 7 percent over that of 1979. The production of all 18 major chemical industry products have shown growth ranging from 0.8 to 29.1 percent except for two products, iron pyrite and concentrated sulfuric acid, which suffered a slight reduction. Moreover, the local chemical industry enterprises put more emphasis on applicational research and technical services, and thus opened up new applications for some of the products. For example, polypropylene products were not much in demand in the past, and these products tended to accumulate. These accumulated products have been used up since a new market was developed in the form of various types of polypropylene bags and twine for packaging. Regarding energy and raw material conservation, a reduction in the consumption of coal as a raw material and as a fuel has been achieved by numerous local small synthetic ammonia plants and medium-scale nitrogen fertilizer plants. By late 1980, it was estimated that a total of 3 million tons of coal was being conserved throughout the chemical industry (XINHUA, 25 December 1980).

According to the unified national plan, some construction projects, including construction of ethylene, plastic, chemical fiber, synthetic rubber, and chemical herbicide plants, will be undertaken by the chemical industry by 1985. The Ministry of Chemical Industry has decided to charge the Daqing Petrochemical Complex, the Beijing Petrochemical Complex, the Shandong Shengli Petrochemical Complex, and other established chemical industry enterprises with the task (XINHUA, 18 January 1979).

According to a report prepared by BA Asia, the Hong Kong subsidiary of the U.S. Bank of America, entitled "Petrochemical Industry of China," the petrochemical industry in the 1980's is strongly export-oriented because of the surplus product and a desire to acquire foreign exchange. Ethylene is a typical example. Four ethylene centers with a production capacity of 300,000 tons are to be built at Daqing, Shengli, and Nanjing, so that the total annual yield is expected to grow rapidly from 450,000 tons today to 640,000 tons in 1981 and to 1.8 million tons by 1985. In 1985, approximately 280,000 tons out of the 1.8 million tons will be surplus. Likewise, the target production of propylene in 1985 is approximately 1 million tons, approximately 640,000 tons of which will be surplus (NIKKAN KOGYO, 29 February 1980). However, according to the policy of economic reorganization, starting in 1981 capital construction will be cut back. Moreover, as a result of an error in oil production forecast, a problem has arisen concerning whether to discontinue, or to continue on the basis of a loan, the construction of petrochemical plants imported from Japan at Shanghai and Nanjing. The progress in this connection is being watched carefully.

During a telephone conference held by the Ministry of Chemical Industry in January 1981, a request was made to appropriately reduce capital construction projects related to the chemical industry and to increase production of products supplying agriculture, light industry, textile industry, and the market. The 1981 guidelines include: 1) increase the production of those products in short supply, such as rock phosphate, arsenopyrite, chemical fertilizer, sulfuric acid, sodium carbonate, caustic soda, polyethylene, polypropylene, and paint; 2) produce according to the national plan those products which are slightly in surplus, such

as tires, pesticides, dyes, polyvinyl chloride, and neoprene rubber; 3) every enterprise should strive to conserve energy and reduce raw material consumption; 4) the coal and electricity consumption per ton of synthetic ammonia produced by the small plants should be reduced to less than 2,800 kg and 1,600 kWh, respectively (XINHUA, 27 January 1981).

(2) Present Status of Chemical Fertilizer Industry

By September 1979, the 13 large-scale chemical fertilizer facilities with a daily capacity of 1,000 tons of synthetic ammonia and 1,620 tons of urea, which were imported during the fourth 5-year plan period, were all completed and put into operation. The production capacity of these 13 units amounts to one-fifth of the synthetic ammonia production nationwide. A nitrogen production network consisting of these 13 large plants, 50 or so medium plants and more than 1,400 small plants scattered all over the nation has been established. These 13 facilities are located at Sichuan Chemical Plant; Luzhou Natural Gas Chemical Plant; Yunnan Natural Gas Chemical Plant; Guizhou Cheshui Natural Gas Chemical Fertilizer Plant; Daqing Chemical Fertilizer Plant; Liaoning Liaohe Chemical Fertilizer Plant; Hebei Cangzhou Chemical Fertilizer Plant; Shandong Shengli Petrochemical Complex, No 2 Chemical Fertilizer Plant; Jiangsu Nanjing Xixiashan Chemical Fertilizer Plant; Anhui Anqing Petrochemical Complex; Hunan Tongding Nitrogen Fertilizer Plant; Hubei Provincial Chemical Fertilizer Plant; and Guangzhou Petrochemical Complex. All are said to be operating well.

As of the end of 1979, there were 1,452 small-scale nitrogen fertilizer plants, of which 200 have an annual synthetic ammonia production capacity of more than 10,000 tons. In 1979, these plants produced a total of 7.31 million tons of synthetic ammonia, or 55 percent of the total nitrogen fertilizer produced nationwide (China Encyclopedic Yearbook, 1980).

(3) Present Status of Chemical Fibers

Chemical fibers occupy the second place after cotton in the raw material makeup of China's fiber products today, and the variety is increasing—for example, cotton wool polyester, knit polyester, mixed yarn, polyacrylic wool cloth, bulky yarn, and nylon silk (XINHUA, 22 September 1979).

Nine vinylon plants using limestone and coal as the raw materials have either been completed or are nearing completion. Six plants, located in Fujian, Hunan, Anhui, Jiangxi, Shijiazhuang and Lanzhou, have been in operation for several years, and construction work on another three plants, in Shanxi, Guangxi and Yunnan, is almost completed. The total production scale of these nine plants amounts to 90,000 tons of polyvinyl alcohol and 66,000 tons of vinylon per year. When these plants are all put into operation, China's vinylon fiber production will reach 160,000-170,000 tons (XINHUA, 28 August 1980).

A national chemical fiber industry production experience exchange conference was held in December 1980, at which the following points were raised: 1) To solve the problem of clothing a population of 1 billion people, in addition to increasing the production of natural fiber, the production of chemical fibers must also be

developed. 2) In 1981 the emphasis will be on improvement of quality, increase in the number of designs and varieties, and reduction of energy and raw material consumption. There are more than 140 chemical fiber enterprises in China today, and although the production of these enterprises is growing fairly rapidly, the growth is said to be highly disproportionate. Some of the enterprises are said to be consuming too much energy and raw material and producing too little and of inferior quality; some are even operating in the red (XINHUA, 16 December 1980).

Building Materials Industry

Tokyo CHUGOKU KOGYO NO SHOBETSU KENSETSU SEIKA in Japanese Apr 81 pp 26-28

[Text] 6. Building Materials Industry

(1) Policies and Plans Concerning Construction of Building Materials Industry

During the 1978 national building materials industry work conference, a 10-year plan was drawn up emphasizing the development of cement and new building materials during an 8-year period. Experience in the utilization of debris and industrial waste was also exchanged (XINHUA, 3 February 1978). (See Table 4)

At the 1979 national conference of synthetic board enterprises, the present lumber utilization rate of only approximately 60 percent, with waste of 40 percent, was pointed out, and the development of synthetic board production by utilizing the discarded materials was called for (XINHUA, 30 April 1979).

Moreover, the Ministry of Building Materials was newly established the same year (Beijing radio broadcast, 3 April 1979).

The following three points were emphasized at the 1980 national conference of building materials industry: 1) to develop the potential of existing enterprises; 2) to strengthen quality control; and 3) to strive for energy conservation. At the same time, aggressive measures were being taken to establish, improve, and popularize new building materials, to hasten the construction of new building materials production bases and to develop clay brick production (XINHUA, 2 April 1980).

(2) Present Status of Cement Industry

There are 49 large and medium-scale cement enterprises nationwide, with 133 kilns and a total clinker production capacity of 17 million tons. At the end of 1979, more than 10 large and medium-scale enterprises were under construction, and the plants being built at Huaihai, Jidong, and Ningguo were equipped to carry out a new process of extra-kiln decomposition. There were more than 5,700 small cement plants nationwide. Their 1979 production was more than 60 percent of the gross national cement product (China Encyclopedic Yearbook, 1980).

In 1980 the cement production capacity increased 1.5 million tons. The newly completed large and medium-scale cement plants include the Xiangxiang Cement Plant in Hunan and the Jinshan Cement Plant in Shanghai (XINHUA, 21 February 1981).

At present, construction of 14 large and medium-scale cement plants and 3 mines to supply the cement raw material is being speeded up. When these facilities are completed, annual production of 6.4 million tons of cement and 2.7 million tons of limestone can be realized. The largest among the plants being constructed is the Jidong Cement Plant (annual production capacity of 1.5 million tons), which was imported from Japan. In addition, there are the Huaihai Cement Plant (annual production capacity of 1 million tons) in the vicinity of Xuzhou utilizing an imported facility, and the Guanghua Cement Plant in Suzhou City specializing in the production of white cement. Four of these large and medium-scale cement plants are being built in racial minority regions--the Yanbian Cement Plant in Jilin, the Litang Cement Plant in Guangxi, and the Xinjiang Cement Plant and the Kaiyun Cement Plant in Yunnan. The three mines for supplying the cement raw materials--limestone mines--belong to the Jiangnan Cement Plant in Jiangsu, the Bengigongyuan Cement Plant in Liaoning, and the Yungding Cement Plant in Gansu (XINHUA, 24 March 1981).

(3) Present Status of New Types of Building Materials

The development of new types of building materials was started in 1975, and by 1979, 200,000 square meters of housing had been built nationwide using these new types of building materials. The production bases for the new types of building materials are also increasing in number. By the end of 1979, an old building materials plant in Suzhou had been remodeled into a production base capable of producing 100,000 square meters of new types of building materials, and it was being expanded into a base capable of production 200,000 square meters of materials. A large base with an area of 1 million square meters is under construction in Beijing using mainly imported production lines. Medium-scale bases with an area of 500,000-800,000 square meters are also under construction at Wuhan and Shenyang. Construction of a base 200,000 square meters in area is basically completed at Shijiazhuang, while construction of a base 100,000 square meters in area is expected to be completed by the end of 1980 at Wuxi (China Encyclopedic Yearbook, 1980).

By March 1981, construction of 38 production lines for manufacturing new types of building materials was completed and mass-production of 36 different types of building materials became possible. Moreover, 500,000 square meters of buildings were built using these new building materials. The main new types of building materials being mass-produced in China include the following: 1) interior and exterior wall materials--foam concrete, perforated gypsum lath (phonetic) board, gypsum board, fiber gypsum board, fiber concrete slab, prestressed concrete slab, and composite wallboard; 2) insulation and soundproofing materials--mineral wool, semihard rock wool insulation board, rock wool blanket, and rock wool soundproofing board; 3) synthetic lightweight aggregate-baked fly ash and expanded shale; 4) frame materials--assembly reinforced concrete beam, board and column; 5) waterproofing materials--asphalt waterproof coating, asphalt roofing and oil-base caulking material; 6) decorative materials--plastic dressed board, plastic sheet, glass fiber wall cloth, interior and exterior wall coating material and binding material (XINHUA, 23 March 1981).

Development of new building materials and new technologies such as panel system, space system and foam concrete was started in the 1960's in China, and new building materials consisting of a combination of frame and lightweight panel have grown significantly since 1975. More than 100 units were organized for the purpose of developing these new materials. Based on the results of scientific research, new building materials production bases and production lines have been built one after another. Today, Sichuan is capable of producing a sufficient amount of new building materials for the construction of 100,000 square meters of housing, while Shijiazhuang is capable of producing 200,000 square meters of housing. In addition, Wuxi, Harbin, Wuhan, Shenyang, and Beijing each has a specific production capacity. Furthermore, there are 33 foam concrete plants nationwide with an annual production capacity of 2 million square meters (XINHUA, 23 March 1981).

(4) Present Status of Industrial Waste Utilization

Approximately 300 million tons of industrial waste, such as debris, coal slag, and iron steel scraps, are discarded each year in China, of which some 30-40 million tons are utilized as building material. Approximately 10 million tons of debris were utilized by the building materials industry in 1979, amounting to a saving of 2 million tons of coal based on the heating value (China Encyclopedic Yearbook, 1980).

Table 1. Metallurgical Industry

	(1)	(2)	(3)		(3)		(3)	
	項 目	単位	1978年	前年比	1979年	前年比	1980年	前年比
(4)	鋼 材	(5)	2,208	135.2	2,497	113.1	2,724	109.1
(6)	鉄 鉄	"	3,479	138.9	3,673	105.6	3,805	103.6
(7)	粗 鋼	"	3,178	133.9	3,448	108.5	3,704	107.4
(8)	不足鋼材(小型鋼材, 線材, 薄板, 溶接管)	"	1,263		1,538	121.8		123 ~ 141
(9)	非鉄金属(銅, アルミ, 鉛, 亜鉛, タングステン, スズなど 10 品目)	"			(10) 100以上	112.8	(11) 計画を上回る	
(12)	金							114.3

(13) (出所) 国民経済計画の実行実績に関する公報 1978年度, 1979年度, 新華社79.12.

31. 80.1.22, 7.4. 81.1.7, 2.11. 中国経済新聞81.1.19

Key:

- | | |
|---|--|
| (1) Item | (10) More than 100 |
| (2) Unit | (11) Surpasses planned quota |
| (3) Previous year ratio | (12) Gold |
| (4) Steel material | (13) Source: 1978 and 1979 official reports concerning the actual results of implementing national economic plan; XINHUA, 31 December 1979, 22 January and 4 July 1980, 7 January and 11 February 1981; CHUGOKU KEIZAI SHIMBUN, 19 January 1981. |
| (5) 10,000 tons | |
| (6) Pig iron | |
| (7) Crude steel | |
| (8) Steel material of which there is a shortage (small steel material, wire, thin plate, and welded pipe) | |
| (9) Nonferrous metals (copper, aluminum, lead, zinc, tungsten, tin, etc--10 items in all) | |

Table 2. Distribution of Nonferrous Metals

Type	Reserve	Distribution and other situations
Manganese	Ranks high in the world	South central area, especially Guangxi, which is number one nationwide
Chromium		Mainly in the northwestern area; the scale is small in the eastern area; relatively large deposit found in Tibet recently
Copper	Top worldwide Ranks high in the world	Mainly in the middle and lower Changjiang River basins and the southwest; copper deposits of considerable size also found in northwest and Huabei areas; almost all known types of copper ore can be found
Lead, Zinc	No 1 for zinc Ranks high for lead	Long history of exploitation; distribution wide; lead-zinc deposits contain higher ratio of zinc; large deposit found at Xiqinlin and western Yunnan in 1979; large deposit found in Urad Hou Banner in Inner Mongolia in 1980
Bauxite	Fifth worldwide	Shanxi, Henan, Guizhou, Guangxi
Tungsten	Top worldwide (more than three times the total deposits elsewhere in the world)	Mainly in Nanling area of Jiangxi and Hunan; rich deposits also found in Xibei, Huabei, and Dongbei areas
Tin	Ranks high	Gejiu tin mine in Yunnan is most famous; also distributed in Guangxi, Guangdong, Hunan and Jiangxi; tin deposits found at more than 30 locations in western Yunnan in 1980
Molybdenum	Second worldwide	Important deposits distributed in north; important deposits at Qinling and north side of Funiushan
Nickel	Ranks high	Nickel resource situation has changed drastically since discovery of huge copper-nickel deposit in late 1950's
Antimony	Top worldwide (44% of world's reserves)	Antimony deposit in tin mines of Hunan; deposits also found in north
Mercury	Ranks high	Distributed in the mercury deposit belt stretching from Hunan to Guizhou; especially rich in Guizhou; valuable deposit found recently in Qinling area

Table 2. Distribution of Nonferrous Metals (continued)

Type	Reserve	Distribution and other situations
Gold		Distributed widely, but mainly in Dongbei, Huadong, Qinling, and Yanshan areas; Taiwan is rich in gold, its Guashi gold mine is famous
Platinum		Platinum deposit in connection with chromium and nickel discovered in late 1960's; many platinum deposits symbiotic with nonferrous metals and precious metal deposits found in past several years; some deposits of platinum alone also found
Rare earth	Top worldwide	Majority is symbiotic with iron deposit; the reserve of Paityunopo rare earth mine in Inner Mongolia is four times the total deposits elsewhere in world
Uranium		Medium-size uranium mine discovered in old stratum in north; existence of large-scale uranium mine in south revealed by the Ministry of Geology in December 1979; discovered in 1956, it covers a total area of 100 km ² with nearly 100 rich mineral veins

(China Encyclopedic Yearbook, 1980; HONGQI No 20, 1980; XINHUA, 15 October and 2 December 1979, and 30 January 1980)

Table 3. Chemical Industry

(1)		(2)	(3)		(3)		(3)	
項	目	単位	1978 年	前年比	1979 年	前年比	1980 年	前年比
(4)	硫酸	万(5)	661	123.0	700	105.9	7607	108.7
(6)	ソーダ灰	・	132.9	123.4	148.6	111.8	161.0	108.3
(7)	苛性ソーダ	・	164	118.3	182.6	111.3	191.7	105.0
(8)	化学肥料 (有効成分換算)	・	869.3	120.1	1,065.4	122.6	1,251.9	117.5
(9)	窒素肥料	・	763.7		882.1	115.5	1,002.3	113.6
(10)	リン酸肥料	・	103.3		181.7	175.9	247.7	136.3
(11)	カリ肥料	・	2.1		1.6	76.2	1.8	110.6
(12)	化学農薬	・	53.3	116.6	53.7	100.6	54.8	102.1
(13)	エチレン	・	38.0	125.6	43.5	114.5	49.8	114.6
(14)	プラスチック	・	67.9	129.6	79.3	116.8	89.3	112.6
(15)	化学製品	・	4.07	115.6	4.17	102.5	3.99	95.8
(16)	ゴムタイヤ	万(17)	936		1,169	124.9	1,146.2	98.1
(18)	カーバイド	万(5)	123.7		140.7	113.7	148.9	105.8
(19)	合成洗剤	・			39.7		39.4	99.3
(20)	化学繊維	・	28.49	149.9	32.6	114.4	42	146.4
(21)	化学工業生産総額	億(22)	524.7		574	109.4	(見込)	
(23)	上納利潤	・	42.9		47.6	111		

(24) (国民経済計画の履行実績に関する公報1978年度、1979年度、中国経済新聞81.1.19、新華社80.12.16、中国百科(1980))

Key:

- | | |
|---|--|
| (1) Item | (15) Chemicals |
| (2) Unit | (16) Rubber tire |
| (3) Previous year ratio | (17) 10,000 units |
| (4) Sulfuric acid | (18) Carbide |
| (5) 10,000 tons | (19) Synthetic detergent |
| (6) Soda ash | (20) Chemical fiber |
| (7) Caustic soda | (21) Chemical industry gross product |
| (8) Chemical fertilizer (converted to effective ingredient) | (22) 100 million yuan |
| (9) Nitrogen fertilizer | (23) Profit paid |
| (10) Phosphorus fertilizer | (24) (1978 and 1979 official reports concerning the actual results of implementing the national economic plan; CHUGOKU KEIZAI SHIMBUN, 19 January 1981; XINHUA, 16 December 1980; China Encyclopedic Yearbook, 1980) |
| (11) Potassium fertilizer | |
| (12) Chemical pesticide | |
| (13) Ethylene | |
| (14) Plastics | |

Table 4. Building Materials Industry

	(1)	(2)	(3)		(3)		(3)	
	項 目	単位	1978 年	前年比	1979 年	前年比	1980 年	前年比
(4)	木 材	万 m ³ (5)	5.162	103.9	5.439	105.4	4.689.1	86.2
(6)	セメント	万 t (7)	6.524	117.2	7.390	113.3	8.019.9	108.5
(8)	板 ガ ラ ス	万 m ² (9)	2.003		2.330	116.3	2.741.4	117.7
(10)	建材工業の粗産出額	億元			167			

(11) (国民経済計画の実績と展望に関する資料 1978 年度、1979 年度、前年比 80.12.23、中国経済新聞 8.11.19、中国統計年鑑 1980)

Key:

- | | |
|---------------------------|--|
| (1) Item | (10) Building materials industry gross product (100 million yuan) |
| (2) Unit | (11) (1978 and 1979 official reports concerning actual results of implementing national economic plan; XINHUA, 25 December 1980; CHUGOKU KEIZAI SHIMBUN, 19 January 1981; China Encyclopedic Yearbook, 1980) |
| (3) Previous year ratio | |
| (4) Lumber | |
| (5) 10,000 m ³ | |
| (6) Cement | |
| (7) 10,000 tons | |
| (8) Plate glass | |
| (9) 10,000 cases | |

9113

CSO: 8129/0465

CONSTRUCTION

BRIEFS

XIZANG RURAL HOUSING--Lhasa, 9 Jan (XINHUA)--More than 6,700 peasant and herdsmen's households in Shannan Prefecture, Xizang Autonomous Region, built new homes in 1981, accounting for 13.2 percent of the prefecture's total households. In all, more than 21,000 rooms were built last year, most of them in two-storied buildings. The figure for housing construction is the biggest in local history. In Nyaimai commune in Lhunze County and Bunsum commune in Qonggyai County where people are comparatively better-off, nearly 80 percent of the families have moved into new houses. More peasants and herdsmen are now preparing timber, glass and cement for additional house construction this year. [Text] [OW101341 Beijing XINHUA in English 0701 GMT 9 Jan 82]

SHANGHAI COAL ASH--Shanghai, 9 Jan (XINHUA)--Shanghai is recycling industrial coal ash, which used to be dumped into the sea as a useless material, for making building blocks, bricks, concrete and other useful things. Shanghai last year used about 70 percent of the 800,000 tons of coal ash discharged by its factories. In the past years, it has produced coal ash blocks totalling 2.2 million cubic meters, enough for building 5- or 6-story apartment buildings with a combined floor space of 6 million square meters. The figure is about one fourth of the total residential housing built in the past 3 decades. Three of Shanghai's iron and steel plants have substituted coal ash for graphite as thermal insulation material, resulting in saving 1,000 tons of graphite a year. In 1979 coal ash was used in the building of road beds in the Baoshan iron and steel, saving the government 700,000 yuan (RMB). [Text] [Beijing XINHUA in English 0728 GMT 9 Jan 82]

CSO: 4020/91

FOREIGN TRADE

GAINING Foothold IN WORLD MARKET DISCUSSED

Nanjing XINHUA RIBAO in Chinese 26 Nov 81 p 2

[Article by Bao Heyun [7559 7729 0061], Yao Guoguang [1202 0948 0342] and Lu Chunkang [7120 4783 1660]: "Gaining A Foothold in the World Market"]

[Text] The concerned leadership comrades in the State Council recently pointed out that "at a time when the national economy is being readjusted, there is need for an expanded development of our foreign trade and especially for our export trade to grow at a more rapid pace than the growth of our national economy." What must we do in the export trade of Jiangsu to meet this requirement? From what transpired at the 50th Guangzhou Export Commodities Fair, we have come to appreciate a most important problem, namely, that in order to compete for a foothold in the world market, we must direct our efforts toward catching up with and surpassing the level achieved by the advanced countries.

From what was discussed at the 50th Guangzhou Export Commodities Fair, we can see that the sales volume of some of the traditionally major commodities of our province is far from satisfactory. That is due not only to the depression in the world market, but also to a large extent to the thinking that shapes the conduct of our export trade. Although export commodities should in the main compete with imported goods, some of our departments and units are often content to compete with our own commodities. Instead of creating something new and developing a variety of high quality commodities in opening new markets, they act like a swarm of bees and follow what other units do in producing fast-selling products. By competing among themselves, they create a situation where the supply often exceeds the demand and where their efforts tend to cancel out each other. Although foreign traders are interested in certain commodities, some units display a lack of ambition and cite a variety of difficulties when it is time to close a deal even when conditions are clearly favorable for making the transaction. The result is that the foreign traders have gone to other sources of supply while we are still weighting the pros and cons. Some units are satisfied with the status quo and are used to filling the "loopholes" with the same products year after year. They also tend to produce the most commonly used products and to substitute quality products with products of a low or indifferent quality. Such practices cannot help but weaken the competitiveness of the export commodities of our province in the world market and to impede the speed of development of our export trade.

The intensity of competition in the world market is an objective fact. To take Hong Kong as an example, it is, despite its piddling size, a show window in the world market and an arena in the fierce competition which characterizes the world market. Unless one gains a foothold in the competition, one's commodities are likely to

be squeezed out even after they have been put in the market. It has been 7 years since the establishment of a trading port in our province to engage in the export trade. Although some result has been achieved, the volume of our export trade remains relatively small and we have yet to fully reach the sales potential of our commodities, especially commodities of a high quality, in order to strengthen the position we have already won and to develop new markets. On the other hand, some long-established ports, by continuing to come forth with batch after batch of high-quality brand name commodities, have found new markets and won new clients. Some newly-established ports, despite their late start, have made rapid gains and shown remarkable energy in their trade operations. Lagging behind the vanguard and barely staying ahead of the rearguard, we have no choice but to quicken our pace.

Actually, Jiangsu has a sound foundation and is favorably situated to compete in the world market and to catch up with and surpass the advanced countries. Jiangsu is situated in the coastal area. It has a great variety of industries. In particular, it has a relatively strong foundation in textiles, light industries, machinery, chemical engineering and electronics and it excels in processing. Agricultural production has always enjoyed a steady development. It has a wide variety of traditional handicraft and subsidiary agricultural products. It also has convenient means of communication and transportation. Prospects for further development are most promising if we would further open our minds, take advantage of the favorable circumstances of our province, establish a link between the productivity of our industrial and agricultural potential and the wealth of our material and manpower resources with the needs of the vast world market, exploit our potential to the full, open up all available avenues and develop those commodities which constitute the mainstays of our export trade.

To take full advantage of the favorable circumstances of our province in competing in the world market, it is necessary, aside from the need of a sound system, a sound policy and a corps of capable rank and file workers, that we insist that the quality of our products should be comparable or superior to the quality of the products of the advanced countries. We must pay heed to the variety, diversity, quality, and packaging of our products and improve our services. In going about our work, we must take full advantage of our assets and minimize the effects of our weaknesses. We must clearly see where our main objective lies and study each and every problem with a view to finding a solution. For example, textiles are a big export item in our province. The problem is that chemical fibers for export are relatively heavy and the cost for earning foreign exchange is relatively high while the supply of cotton textiles, which are good foreign exchange earners and in great demand, is rather limited. Again, silk fabrics are one of the fastest selling commodities in the world market, but much of the silk fabrics for export are of a poor quality and the variety is limited. Some of the patterns are out of date and there is a lack of uniformity in the quality. Although our province exports a considerable quantity of clothes, the variety of designs is limited and practically non-existent for quality clothes. For such commodities which have already found a ready world market, we must exploit to the full what we excel in and minimize the effect of our weaknesses. We must maintain at all cost the quality standards, create new brands, upgrade our products and achieve high standards.

We must give our strong and active support to the promotion of those commodities which have a high potentiality, which are capable of enlivening the economy of our province and which are in demand in the world market. There is, for instance, a

great demand for trailers in some countries. They can be made by some of our county-owned factories. We can easily break into the market if we have the correct designs and specifications and if we lower the production cost and offer spare parts maintenance and repair services customary in international trade. As for such commodities as pharmaceuticals, including drugs, raw materials for manufacturing drugs and bandages, it is possible to develop them into big export items if proper measures are taken by the concerned parties to renovate the facilities, to upgrade the technique and increase the production potential. As for labor intensive products which have enjoyed a good tradition of excellence, it is possible to create a new export market if we would only make them attractive as well as utilitarian in such a way as to play up our special traditional features as well as to meet the demands of the world market.

After the chief target has been set, the production of the export commodities should be carried out according to a plan which takes into consideration every aspect of the matter. There should be a clear division of labor. The location of the production sites should be carefully chosen, and the amount of production should be geared to the volume of sales. It is necessary to look at the matter from a strategic point of view, to look forward and backward, and from above and at a distance. When a certain commodity is enjoying brisk sales and preparation is made to expand production, it is necessary to correctly assess the capacity of the world market and fluctuations in its demand. When the supply of a certain commodity exceeds its demand and difficulty is encountered in its sale, it is necessary to consider the possibility of a revival of its demand. It is necessary to avoid recklessness, to remain alert, to make adjustments in the volume of production, to take the initiative in increasing the export trade and to increase the competitiveness of our export commodities.

9621

CSO: 4006/214

FOREIGN TRADE

SIX FACTORIES SPECIALIZING IN EXPORT GOODS SURVEYED

Fujian FUZHOU RIBAO in Chinese 12 Sep 81 pp 1, 2

[Article by Yuan Ronglong [7086 2837 7893], Cai Zunting [5591 6690 1656], Xu Qingti [6079 3237 2748], Xue Xixing [5641 6932 2502], and Xu Qingti [6079 3237 2748], Xue Xixing [5641 6932 2502], and Wu Jiasheng [0702 0159 5116]: "Survey of Longhai County Factories Specializing in Manufacturing Export Goods"]

[Text] With the object of enlarging production of export goods, Longhai County is operating six factories specializing in manufacturing goods exclusively or mainly for export. Over the past year of trial operation, the volume of export goods supplied by the factories and the amount of foreign exchange generated have distinctly improved and the quality of products has improved, initially demonstrating the advantages of this measure.

In Longhai County, which accounts for more than 10-million-yuan state purchases of export goods, there are 14 county factories manufacturing 16 kinds of export goods, including traditional famous-brand products such as "Shiliujian" paper foil, "Rooster" mosquito-repellent incense, wooden furniture, leather shoes and preserved prunes and peaches, which are in great demand on the international market. For various reasons, over a long period of time the volume of light and handicraft products supplies for export accounted for only a little over 50 percent of the total volume of export goods supplied by the county. With the object of enlarging the production of export goods, changing the structure of export commodities and increasing the proportion of light and handicraft products, the county Foreign Trade Bureau decided as an experiment to operate factories specializing in manufacturing goods for export. With the approval of the county government, the bureau and the responsible department jointly selected six enterprises as specialized factories--the mosquito-repellent incense factory, the preserved fruits factory, the wooden furniture factory, the paper foil factor, the porcelain factory and the leather factory--all of which have a good production position, have strong leadership personnel, produce goods that satisfy the needs, have competitiveness on the overseas market, and which accounted for 70 percent of the total volume of export goods supplied. These specialized factories began to manufacture goods for export in March last year.

The task of these specialized factories was to manufacture exclusively or mainly goods for export. In order to insure that the export requirements of foreign trade were met, the responsible department was to continue checking on eight

economic targets for production value, profit, collective labor productivity, etc., and in addition the county Foreign Trade Bureau added four items to be examined--the amount of foreign exchange generated by the export goods, the volume of goods deliveries, the rate of goods meeting the standard, and the rate of supply fulfilling the contractual obligations. Furthermore, the county Foreign Trade Bureau and the factories specializing in manufacturing export goods put into effect "do five things jointly, bring two into the open"--that is, jointly carrying out investigation and study, jointly drawing up production plans for export goods, jointly arranging production, jointly checking on product quality, and jointly negotiating transactions with foreign merchants (or ports), plus the factories bringing production costs into the open and the Foreign Trade bureau bringing export prices into the open.

The trial operation of factories specializing in manufacturing export goods over the past year and more has initially demonstrated the advantages of this measure: 1) It clarifies the task of production and the orientation of products for the factories and promotes the production of manufactured goods for export. The volume of export goods supplied by the six specialized factories reached 6.15 million yuan and more in 1980, a 53.4-percent growth compared with 1979 and a rise to 46.2 percent from 1979's 38.8 percent of the country's supply of export goods. The quality of products showed a distinct improvement, with all the specialized factories reaching more than 97 percent of export goods up to standard. Leather shoes made by the leather factory and furniture made by the wooden furniture factory were products that won foreign merchants' "confidence." Export goods generated U.S. \$2.15 million in foreign exchange, an increase of U.S. \$610,000 compared with 1979. On average, the rate of supply fulfilling contractual obligations reached 97.8 percent, and in the case of four factories, 100 percent. The situation was even better in the first 8 months of this year, with the volume of goods supplied by the six factories reaching 6.088 million yuan, representing a 69.7-percent increase compared with the same period of last year, and a rise of 47.8 percent from the 45.3 percent of the country's supply of export goods for the same period of last year. 2) It brings closer the relationship between industry and trade. The trial operation of the factories specializing in manufacturing export goods has changed the former state, in which "factories were separated from ports by water and from the place of production by a mountain." The "three single strands" of silk--factory, place of production, and port--have been twisted into a rope to resolve through concerted efforts the problems of raw materials, transportation, working funds, and marketing. For instance, the porcelain factory was overstocked with 500,000 items of cups and plates in 1978; after it became a specialized factory, the county Foreign Trade Bureau worked in coordination with the port to help the factory push sales of overstocked goods; eventually, new marketing areas were found and the stocks were exported. The factory increased its supply of export goods by 39.1 percent last year compared with 1979, bringing the rate of export goods supply to 76 percent. Furthermore, on its own initiative the Foreign Trade Bureau promptly provided the specialized factories with information about international market conditions and customers' demand, and promoted the increased production of goods to meet the market needs. The mosquito-repellent incense factory manufactured two kinds of incense--"Rooster" brand incense and sanitation incense--for export. Last year, the county Foreign Trade Bureau, on the basis of the brisk sales of "Rooster" incense on the international market, assisted the factory in increasing production of "Rooster"

incense and appropriately cutting back on production of sanitation incense, with the result that last year the factory sharply increased its supply of mosquito-repellent incense, by 133.3 percent compared with 1979.

Operating factories specializing in manufacturing export goods is a new venture. Comrades of the Longhai County Foreign Trade Bureau, together with the six specialized factories, have operated the factories on a trial and error basis as an experiment. They have devised methods and gained experiences as follows:

1. Assigning resident persons to specialized factories. The county Foreign Trade Bureau assigned a resident person to each of the six specialized factories. The resident persons are under the dual supervision of the Foreign Trade Bureau and the specialized factories. The administrative departments of the specialized factories are entrusted with the task of checking on the resident persons' work attendance and assessing the results of their work. On the one hand, the resident persons assigned to the specialized factories are expected to examine, on behalf of the county Foreign Trade Bureau, the amounts of goods delivered, the rate of products up to standard and the rate of supply fulfilling contractual obligations. On the other hand, the resident persons are to take an active part and assist the specialized factories in organizing and arranging production, inspecting the quality of products, and allocating and transporting products. Through the resident persons at factories, the county Foreign Trade Bureau is to strengthen guidance over production of export goods and insure that the quality, color, design, and style of products, packing, and time of delivery meet export requirements. Problems encountered by the factories in the process of manufacturing and providing export goods may be promptly referred to the Foreign Trade Bureau through the resident persons so that the problems can be promptly resolved and the task of providing export goods can be fulfilled in quality and quantity. Practice shows that the resident persons at factories serve not only as the "ears and eyes" of the Foreign Trade Bureau but also as good staff officers and assistants to the factories specializing in manufacturing export goods.

2. Putting the Foreign Trade Bureau and the specialized factories in their proper positions and correctly dealing with the relationship between the two sides. The county Foreign Trade Bureau should regard the specialized factories as its "own sons," but it must not regard itself as their "stepmother." Since the six factories specializing in manufacturing export goods are still under the control of the responsible department, the Foreign Trade Bureau may not regard some of the factories as close ones under its direct control and others as distant ones not under its control. The foreign trade Bureau should think as the specialized factories think and be eager to meet the needs of the specialized factories and share their cares and burdens. To this end, the county Foreign Trade Bureau should make efforts in three directions: 1) Helping the specialized factories to "find the rice for cooking" and resolve the difficulties arising from the shortage of raw and subsidiary materials and fuels. In the first half of last year, the county tinfoil paper factory experienced a shortage of tinfoil paper and wrapping paper and had to stop operation for 65 days while waiting for materials. Thereupon, the county Foreign Trade Bureau took simultaneous "action in three directions." It contacted the port and transferred stocks from the Shamen tinfoil paper factory; it sent an urgent telegram to the provincial trade bureau asking for aid; and it arranged the allocation and transfer of materials from the production center, arranging an initial shipment of 320 tons of wrapping paper.

In the second half of the year, the bureau went a step further and opened the raw materials supply channel, giving the specialized factory a chance to survive.

2) Helping factories to strengthen business operation and management and to carry out the economic management responsibility system. Some of the famous-brand products manufactured by the specialized factories fell short of the demand on the international market, bringing the contradiction between production capacity and export demand into striking relief and making it necessary to take immediate action to enlarge production and increase the supply of export goods as quickly as possible. After investigation and study, the country Foreign Trade Bureau proposed to the County party committee and the responsible department that a system of paying piece-rate wages or computing bonuses on the basis of overfulfilling production quota be tried out at the leather factory, where the operations were mainly manual, so as to stimulate the workers' enthusiasm for increased production of leather shoes for exports. As expected, under the same production conditions the leather factory stepped up its monthly output of leather shoes from some 500 pairs to nearly 2,000 pairs; the supply of export leather shoes reached 18,000 pairs, an increase of 118 percent compared with 1979. Three of the specialized factories are popularizing the successful experiences of the county leather factory.

3) Assisting the specialized factories to make good use of the industrial loans on foreign trade. Last year, the six specialized factories obtained loans amounting to 548,000 yuan. To insure quick use, quick turnover, and quick results of these loans, the county Foreign Trade Bureau played an active role as the staff officer. Originally the tinfoil paper factory planned to purchase an air foil hammer through loans, but after study the county Foreign Trade Bureau and the county Bureau of the Second Light Industry came to the conclusion that as far as the factory was concerned the urgent problem to be tackled was the crowding in the machine-cutting shop and shortage of storeroom space. The factory accepted their suggestion and used the loan to buy an old factory building with a total floorspace of 1,800 square meters, converting it into a machine-cutting shop and storeroom to meet the need for production development.

3. Aiding the specialized factories to blaze new trails. The country Foreign Trade Bureau took three measures in this connection: 1) It supplied the latest information on international market conditions and new products designs, exploiting the favorable conditions of its wide contacts and ready access to information.

2) It helped the specialized factories to set up organizations for turning out new products and carrying out technical innovations. The six specialized factories have some 50 core members of technical teams charged with the task of creating new products and carrying out technical innovations. 3) It created funds for blazing new trails and encouraged the specialized factories to launch activities to create new export products. The county wooden furniture factory has blazed new trails each year and turned out new products, all of which have gained acceptance. At the Canton trade fair this year, its two kinds of newstyle furniture were well received by customers and a single transaction involved more than 100,000 yuan, for which the county Foreign Trade Bureau granted a 200-yuan bonus to the factory.

The factories specializing in manufacturing export goods in Longhai County are still at the stage of trial operation, and inevitably some defects and deficiencies exist. For example, the following questions remain to be explored and resolved: How should the resident persons at factories play their role more fully? How should relations be strengthened further between factories and the Foreign Trade

Bureau: How should the Foreign Trade Bureau's targets of assessment be linked to the economics of the specialized factories? But comrades are of the opinion that the number one problem still lies in the fact that the county Foreign Trade Bureau lacks the appropriate power to make its own decisions and often finds it difficult or impossible to resolve the difficulties experienced by the specialized factories quickly. This situation also affects the enthusiasm of the specialized factories in varying degrees. This problem deserves to be taken seriously and resolved positively by the departments concerned.

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CSO: 4006/174

FOREIGN TRADE

BRIEFS

1981 TOURISM FIGURES--Beijing, 29 Jan (XINHUA)--More than 7 million tourists visited China last year, 1.3 million more than in 1980, according to Han Kehua, director of the General Administration for Travel and Tourism, at a press conference yesterday. He said tourist facilities had improved and a number of centers in major cities had been built or restored. He said several dozen hotels had been built, with the five largest adding 2,600 beds to the total. More than 5,000 air conditioners, refrigerators and kitchen facilities have been added in hotels, and more buses were equipped with air conditioning last year. He said that the General Administration of Civil Aviation of China (C.A.A.C.) has begun service from Hong Kong to Guangzhou, Hangzhou, Nanjing, Shanghai, Tianjin and Kunming. Charter flights also operated and the number of trains has increased on some routes during peak seasons. China's tourism is, however, still in its initial stage, he said. The central task for this year is to improve service. The number of cities open to tourists and the number of hotels will be increased, scenic spots will be opened, transport improved, recreation programs added and more tourist personnel trained. [Text] [OW291329 Beijing XINHUA in English 1210 GMT 29 Jan 82]

CSO: 4020/91

LABOR AND WAGES

INVESTMENT IN WORKERS' INTELLECTUAL DEVELOPMENT URGED

Guangzhou NANFANG RIBAO in Chinese 16 Nov 81 p 1

[Text] Education for workers and staff members is an important way to promote intellectual training and the development of talent. It ensures the continued development of the national economy. It is the linchpin on which the success or failure of modernization reconstruction projects is hinged. We must be willing to invest in the intellectual development of workers and staff members if we are to meet the needs of the four modernizations reconstruction projects.

At the present time, some leadership cadres tend to put production and the education of workers and staff members at opposite poles. They are so preoccupied with production that they fail to see the effect which the work of educating workers and staff members has on the four modernizations reconstruction projects. They only see the need to invest in projects that serve to promote production and not the intellectual development of those engaged in production. They place emphasis on the size of the labor force, but fail to appreciate the importance of improving the quality of the labor force. Lacking in foresight, they may be said to be afflicted with "myopia." These comrades have yet to appreciate that the chief objective of modern enterprises is the achievement of a high scientific and technical standard and that these standards can only be attained after workers and staff members have been put through a period of systematic training. It is true that following the period of unrest and with the restoration of order, there has been a steady development in the education of the workers and staff members in our province. However, the "3 low and 1 short" phenomenon (low cultural, technical and administrative standard and shortage of engineering and technical personnel) remains basically unchanged. The shortage of talent is an acute problem common to all the battlelines at the present time. If this situation is allowed to continue, the progress of the four modernizations will be adversely affected. For this reason, it is imperative that we should avoid the mistake of belittling the importance of cultural, scientific and technical attainment and be determined to give top priority to the adequate education of workers and staff members as a matter of urgency in order to reverse the backward "3 low and 1 short" situation which plagues the contingent of workers and staff members at the present time.

The goal of our province is that, within the next 4 years, that is, by the end of 1985, the standard of the actual operating technique among the young workers should be raised by 1 or 2 grades, that, culturally, illiteracy should be

completely wiped out, and that the young workers should achieve the standard equivalent to that of primary, junior and senior middle school and college graduates. Within the next 3 or 4 years, the emphasis of education for workers and staff members should be placed on the training of workers, staff members and leadership cadres who entered the work force after the "great cultural revolution." All those in party and administrative leadership positions at various levels, all the party committees, administrative departments, unions and Communist Youth Leagues in the various units and manufacturing and mining enterprises and all businesses should bear in mind the needs of the province. They should strengthen their leadership, establish efficient special agencies for the education of workers and staff members, set up in all seriousness a system for the education and teaching of workers and staff members, and create the necessary conditions in terms of manpower, materials, finances and time for the education of workers and staff members so as to give a new look to the education of workers and staff members in our province within a relatively short period of time.

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CSO: 4006/150

LABOR AND WAGES

NEED TO BUTTRESS SAGGING TECHNICAL SKILLS UNDERSCORED

Shanghai WEN HUI BAO in Chinese 7 Dec 81 p 1

[Article: "Maintain and Develop Shanghai's Technological Superiority Through Strengthening of Staff and Worker Education"]

[Text] Education of staff and workers is an important way in which to develop intellect and train skilled people, and is intimately related to the building of the four modernizations. Looked at in today's terms, it is of major significance in the maintenance and development of Shanghai's technological superiority and in carrying out the eight character policy of "readjustment, restructuring, consolidation, and improvement."

This city has made some headway during the past several years in the education of staff and workers. It should be realized, however, that an overwhelming majority of Shanghai's present 241,000 scientists and technicians are technicians in an elementary sense; the number of those among the broad masses of cadres who have received specialized training are very few. Young staff and workers joining the workforce during the "Great Cultural Revolution" numbered 2.64 million, 1.8 million of whom had a cultural level less than middle school graduate. The technical ranking of the city's technicians today averages less than grade 3. In addition, large numbers of experienced technicians have retired, and numerous experienced managers will pass away or leave their positions as time goes by. From this may be seen that the cultural and technical levels of this city's staff and workers is a long way from meeting requirements for the building of the four modernizations.

Shanghai is one of China's major industrial cities and occupies an important position in the overall national economy. Whether or not Shanghai's economy will be able to maintain a certain speed of development in accordance with the eight character policy during the course of readjustment will depend to a very large extent on rapid increase in the cultural and technical levels of its staff and workers. During the period of readjustment, Shanghai will have to intensify reform of industrial technology, and gradually take a new course of extensive operations in which intension is paramount. It will have to enter the internal market with more products. To do these things improvement in the technical level of the broad masses of staff and workers is urgently necessary. Product competition is, in reality, technical competition; it is also intellectual competition. The key to reform of technology lies in the training of people of talent and improvement in the quality

of staff and workers. Were one to say that investment in technology and equipment is able to increase the labor productivity rate several times over, then investment in intellect will bring even greater success. At the present time, when throughout the country an economic situation has appeared that you quicken your pace and I'll catch up, this is particularly true. Today the products of quite a few provinces and municipalities surpass those of Shanghai. As compared with international standards, our goods have an even greater way to go. Today, an overwhelming majority of the equipment in the city's industrial system dates back to the era of the 1930's or 1940's, or the era of the 1950's and the 1960's; those from the 1970's are an extremely small minority. Consequently, unless firm action is taken in the technical training of staff and workers, and the pace of technological reform accelerated so that equipment is replaced, products brought up to date, and quality improved, Shanghai's technological superiority may be lost. Cooperation in production technology with inland areas should gradually develop into integration to form a large scale modern production capability, but this is even harder to imagine. Under present circumstances, judgment of whether the leadership cadres in an enterprise possess a strategic outlook requires that one look at whether they attach importance to education of staff and employees. Leaders who do not take firm action on technical training are leaders with a short-sighted outlook, and enterprises that do not take firm action on the education of staff and workers are enterprises that have no future prospects for development. We must take all around firm action in the rotational training of leadership cadres at all echelons in culture, administration and management, and professional knowledge, and hold brush-up courses in culture and technology for workers in key positions and young workers, to raise to new levels with all possible speed their skills in enterprise management, economic management, culture and technology.

Intensification of staff and worker education and the building of socialist spiritual civilization are likewise closely related. Unless ideological education is given young staff and workers in strong love for party, strong love for motherland, and strong love for socialism, and unless they are helped to dispose of their time sensibly by participating in study and training, some of them may waste their energies or even drift around in society and take the wrong road. Only by actively and widely organizing young staff and workers and vigorously launching staff and worker education can the building of spiritual civilization be advanced and the young generation be trained in knowledge, understand technology, and be concerned with civilization. In this way, the spiritual mien of the entire staff and worker corps will show a new change.

None of our leadership cadres at any echelon can wait further or look on from the sidelines at the inevitable tendencies in development or the higher requirements of staff and worker education. While acting firmly in production and work, they must place staff and worker education on the agenda of work to be done by leaders, devoting attention to it as a matter of importance. The task of intensifying staff and worker education and rapidly uplifting the levels of understanding of staff and workers is a massive one. In order to attain this objective, it is necessary to follow through ideologically, in planning, in action, and organizationally. Staff and worker education has to be put on the track of national economic and national educational planning, and efforts have to be made to achieve an

interweaving of the educational system with the labor system and cadre system so that staff and worker education will move in the direction of becoming routine, regular, and systematized. It is necessary to do a good job in formulating a citywide staff and worker education plan for 1982, and a long range "65" [sic] plan. There is need for the adaptation of general methods to local situations, for the opening wide of avenues for study, for readjusting forces in all quarters for adopting diverse means and diverse forms of providing education, and for applying to the full, various methods of education such as through television, radio broadcasts, and correspondence courses. The way in which education is done must be earnestly reformed in a planned way, teaching forces augmented, teacher training centers built, scientific study of staff and worker education done, the problem of funds for staff and worker education satisfactorily solved. It is necessary, as well to augment cadre ranks for staff and worker education, and to improve staff and worker educational organizations. We believe that under the unified leadership of CCP committees at all echelons, with the serious attention of all the party, and with everybody taking action, this city's staff and worker education endeavors will certainly be able to go forward.

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CSO: 4006/217

TRANSPORTATION

BRIEFS

SHANGHAI FLIGHT SERVICES--Shanghai, 8 Jan (XINHUA)--The Shanghai regional office of the General Administration of Civil Aviation of China carried a record-breaking 580,000 passengers and nearly 20,000 tons of freight last year, according to the Shanghai office. The passenger load was 22.2 percent more than in 1980 and the freight volume 15.5 percent more. The Shanghai regional office fulfilled its 1981 quota 2 months ahead of schedule. To cope with increasing number of passengers, flights were added on the Shanghai-Japan, Shanghai-Hong Kong, Hangzhou-Hong Kong and Nanjing-Hong Kong routes. Five domestic routes were added from Shanghai last year, bringing the total to 37. These include Shanghai to Tunxi near the mountain resort at Huangshan, Anhui Province; to Jiujiang, Jiangxi Province near the resort of Lushan; to Guilin, in the Guangxi Zhuang Autonomous Region and to Quanzhou in Fujian Province. [Beijing XINHUA in English 0812 GMT 8 Jan 82]

SHANGHAI PASSENGER SHIPPING TERMINAL--Shanghai, 11 Jan (XINHUA)--China's biggest and most modern shipping terminal, the Shiliupu in Shanghai Harbor, went into operation last Thursday, upon completion of the first stage of the project, according to Shanghai shipping officials. Upon completion of the project, the terminal will be able to handle 20,000 passengers a day. Using the new terminal are the passenger ships sailing on 12 shipping lines to ports along the Yangtze River and the Zhejiang coast. Construction of the terminal began in July 1980 and will be completed in June this year. The terminal building with a main hall, four waiting rooms, an operational control tower, restaurant, ticket office and parcels office, covers 3.3 hectares and has a floor space of 35,000 square meters. State investment was 14 million yuan. The terminal has a TV inspection system, automatic sailing schedule board, large digital clocks and an automatic sprinkler system. [Text] [Beijing XINHUA in English 0709 GMT 11 Jan 82]

WUZHOU-HONG KONG PASSENGER SERVICE--Nanning, 23 Jan (XINHUA)--The State Council recently approved resumption of the through passenger service between Wuzhou, a major trading port in East Guangxi Zhuang Autonomous Region, and Hong Kong and Macao, according to the region's transport department. The service started in 1902 and was suspended in 1949. The whole navigation course is 436 kilometers. The transport department said the resumption of service will facilitate the region's tourism and foreign trade. The open date will be announced soon. [WZ91329 Beijing XINHUA in English 1224 GMT 23 Jan 82]

GENERAL

ECONOMIC CONSULTATIVE SERVICES CENTER SET UP IN TIANJIN

Tianjin TIANJIN RIBAO in Chinese 2 Nov 81 p 1

[Article by staff reporter Lin Fengyuan [2651 6646 3293]: "The Center for Economic Consultative Services in Tianjin"]

[Text] The Center for Economic Consultative Services jointly set up by the Tianjin municipal committee, the Democratic National Construction has achieved new success in organizing former industrialists and merchants to offer consultative services to economic departments and enterprises concerned. The center has made useful recommendations concerning the distribution of one-street commercial networks along Hopinglu and Dongmalu, offered consultative services to many enterprises in the sphere of operation and management, and assisted some enterprises needing readjustment to resolve problems of product orientation and production technique. Seven service departments under this center are being established to enlarge the scope of services.

The Consultative Service Center began preparations and trial operation in March this year, obtained approval of the municipal people's government in August, and set up a board of directors on 23 September. The center is now in the process of establishing consultative service departments for various trades and has preliminarily chosen personnel for them. In addition to the original consultative service department for organization in the first machine-building industry, service departments are being established for light industry, chemical industry, textile industry, metallurgical industry, and commercial and foreign trade organizations. The center is prepared to conduct a comprehensive survey of former industrialists and merchants to find out the number of personnel it can provide for offering consultative services, including those with special and professional skills.

Since it was established, some enterprises have consulted its board of directors and asked for help. The service center has already sent a consultant to the unit concerned to study preparations for setting up a clothing factory capable of placing more than 300 job-awaiting youths; detailed plans for the clothing factory have been worked out and are now under consideration. Some units have expressed the hope that the hotel service center that is to be set up will offer them consultative services in order to resolve problems arising from a shortage of restaurant and hotel services. In addition, as requested by the municipal Finance Committee, the center has organized elderly managers experienced in business to hold a forum to discuss how

to become good managers and to sum up their past experience; these elderly managers were asked to give their views on how to use their past experience to serve socialist enterprises and to provide comrades on the commercial front with reference material.

In the field of industry, the service center has offered consultative services to some units and plants needing adjustment. For instance, the center has offered technical consultative services to the Lienho pipe-drawing plant under the building construction company of the Communications Bureau, and has sent a team to the plant in this connection. In addition, the center has provided consultative services to the Tianjin piston plant, the windshield wiper plant, and the medical apparatus and instrument department under the First Machine-Building Bureau; consultative services are being offered in some cases and studied in others. In the field of industrial operation and management, the center is prepared to organize forces to offer consultative services in connection with the tasks set by the municipal Economic Committee.

Former industrialists and merchants connected with foreign trade are acquainted with and experienced in foreign trade. For the purpose of assisting in restructuring the foreign trade system, the center has called more than 10 small-scale forums to study three issues with those involved in foreign trade: restructuring the system of export management in the new situation in which operating authority is delegated to the lower level; restructuring the system of foreign trade management to meet the requirement of carrying out the economic responsibility system; and stimulating foreign trade operations and stressing economic results. Concrete methods and measures have been worked out for each of the tasks after deliberation, and materials have been prepared and sent to the relevant departments for reference.

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ISS: 4006/178

HONG KONG JOURNAL ON AIRCRAFT INDUSTRY

HK201311 Hong Kong KUANG CHIAO CHING in Chinese No 112, 16 Jan 82 pp 9-14

[Article by Ling Yu [0407 1342]: "China's Aircraft Industry As Seen From the Test Flight of the 'Yun-10' Airliner"]

[Text] Recently, China successfully made the first test passenger flight of a large Chinese-designed and manufactured jet airliner. The plane successfully carried passengers from Shanghai to Beijing on 8 December 1981 and on 11 December it made another test flight in Beijing.

This aircraft, designated the "Yun-10," was made in an aircraft plant in Shanghai. The "Yun-10" is the first large jet airliner that China has ever designed and manufactured all by itself and is, moreover, the biggest plane that it has ever made. Before the test flight, it was reported that China had made some Soviet-designed TU-104 jet airliners but there is as yet no convincing evidence to prove this.

The "Yun-10" Airliner

The trial-production of the "Yun-10" aircraft began in the early 1970's under "extremely difficult conditions." Though this type of aircraft is very similar to the Boeing 707, China had not yet imported any Boeing aircraft when the trial-production work began. After nearly 10 years of tests and research, the first "Yun-10" prototype made its first test flight in 1980 and then went on to accomplish all the planned tests one by one.

Though the "Yun-10" airliner is outwardly similar to the Boeing 707, it is smaller in size. Its wing span is about 42.2 meters and its maximum takeoff weight is 85 tons. Like the Boeing 707, it is powered by four Pratt and Whitney JT-3D-7 turbofan engines, which have been imported from the United States as spares for the Boeing 707. The "Yun-10" airliner has a maximum speed of 900 kilometers per hour and its service ceiling is 12,000 meters, performances almost identical to those of the Boeing 707. It is reported that the "Yun-10" was designed in accordance with the aviation requirements of CAAC, and it also meets the corresponding requirements of the International Civil Aviation Organization. It can take off and land in most of the domestic airports and its specific fuel consumption at cruising speed is the lowest of all domestic airliners.

China had made three "Yun-10" prototypes when it made the first test passenger flight of the "Yun-10." The aircraft that made the first test passenger flight on 8 December was prototype No 002. The plane's fuselage is arranged for mixed passenger and cargo operation in the same manner as the Boeing 707-320C. Under this arrangement, there are 124 passenger seats in it. If it is arranged completely for economical passenger flight, it can carry 178 passengers. Though the "Yun-10" airliner has successfully accomplished its test flight, it seems that China has no plans to start any serial production of "Yun-10" airliners. China has not got the patent to manufacture JI-3D-7 engines and there have been no indications that it will buy the patent in the future. Owing to the shortage of spare engines, there will be no serial production of the "Yun-10." It is said that China's development of the "Yun-10" airliners is aimed at testing its ability to conduct research and at testing its production technology in relation to large-scale jet airliners. Before it imported the Boeing 707, China had indeed no airplanes that had engines mounted under their wings. The trial-production of the "Yun-10" was aimed at achieving some experience in this respect. Furthermore, the "Yun-10" is not better than the Boeing 707 in performance and even the Boeing-707 and its JI-3D-7 engines are out-of-date now; therefore, it is difficult for the "Yun-10" to enter the world market if it is put into serial production, let alone surmount the difficulties caused by the extremely exacting requirements of the International Civil Aviation Organization concerning the quality of passenger aircraft. On the other hand, there is not much domestic demand for this kind of airliner; therefore, it is hard to say if it is of any commercial value. In short, it is unlikely that China will start serial production of the "Yun-10" airliner.

China's Aircraft Industry

Up to 1949, China had no aircraft industry. Japan had set up some aircraft plants in northeast China, but it had destroyed or removed the equipment in those plants before the end of the war of resistance against Japan. When the war was won, the Soviet Army dismantled all the equipment that had been left and took it back to the Soviet Union. When the PRC was founded, China had, in fact, no aircraft industry.

After the founding of the PRC, in order to strengthen the country's national defense, the Beijing government got the assistance of the then Moscow authorities and the PRC got its first supply of aircraft from the Soviet Union. In order to maintain and repair these aircraft, China set up some aircraft repair factories with the assistance of the Soviet Union.

In 1955, China successfully manufactured its first aircraft, the YAK-18 aircraft designed by the Soviet Union. It was later called the "Chujiao-5" [primary trainer-5] in China. In the next few years, China successfully made, with the technical assistance of the Soviet Union, the Mig-15UTI jet fighter trainer, the Mig-17F jet fighter (called the "Jian-5" in China), the AN-2 light transport aircraft (called the "Yun-5" in China), and the MI-4 helicopter (called the "Zhi-5" in China), the IL-28 light bomber (called the "Hong-5" in China) and other aircraft. At the end of the 1950's, some of its aviation colleges and aviation development units designed and made on their own some new types of aircraft such as the "Beilong No 1," "Yaman No 1," "Hongqi No 1" and "Feilong No 1," but none of those aircraft went into normal operation or production.

At the beginning of the 1960's, because of ideological differences, the Soviet Union withdrew all its specialists, took back all its blueprints and cut off the supply of aircraft spare parts and materials. This dealt a heavy blow to the aircraft industry. Nevertheless, China continued to develop its aircraft industry on its own under very arduous conditions. At that time, it successfully developed on its own two new types of aircraft--the "Chujiao-6" basic trainer and the "Jianjiao-5" fighter trainer developed on the basis of the "Jian-5." Both entered into normal production and operation. At the same time, China also succeeded in copying the Soviet Mig-19S jet fighter-bomber which it designated as the "Jian-6" and put into large-scale production. To date, the "Jian-6" still constitutes the largest part of the fighter planes with which China's Air Force and Navy are equipped.

China made great efforts to rebuild its aircraft industry and lead it on a new course. It also planned to copy the Mig-21F fighter designed by the Soviet Union. In 1966, China started to build a few aviation experimental bases and began its own technical development. But that very year, the "Great Cultural Revolution" began, a "revolution" that dealt another grave blow to China's embryonic aircraft industry. The "Great Cultural Revolution" lasted a whole decade and left an even wider gap between China's aircraft industry and that of other industrial countries and at a complete standstill in development. It is only since the fall of the "gang of four" in 1976, that importance has again been attached to China's aircraft industry and that development has been resumed.

Specialized Aviation Research

Before 1949, there were aviation engineering departments or aviation courses in 11 higher education institutes in China with 2 to 10 graduates annually. However, because China had, in fact, no aircraft industry at that time, these graduates could find no place to employ their talents and many of them went to the United States. As a result, even today, there are quite a few Chinese among the specialized personnel in the aircraft industry of the United States.

In 1949, the aviation departments of the 11 higher education institutes were respectively merged into the Beijing Aeronautical Engineering Institute and the Northwest Engineering University. Since this reorganization, the education of aeronautical engineering has greatly developed. In 1956, in order to speed up the training of a large number of personnel for the aircraft industry, the Nanjing Aeronautical Engineering Institute was established. In 1978, in order to train managerial and technical personnel for aircraft plants more aeronautical engineering schools were established.

As far back as the mid-1950's, Beijing realized the need to carry out systematic research and development on aeronautics. But it failed to make any material progress in this respect before the Soviet withdrawal of specialists. The Institute of Mechanics of the Chinese Academy of Sciences was established in 1959 and has since then constantly carried out scientific research, but it failed to achieve the desired results because of the limitations of its poor research facilities. During the 1960's, China began to build some new large-scale aeronautical research organizations, such as the Gas Turbine Engine Research Center in Jiangyou, Sichuan, the Aerodynamics Research and Development Center in Mianyang and the Test Flight

Center in Nianliang, Shaanxi. But owing to the evil impact of the "Great Cultural Revolution," none of these installations have as yet been completed. In the middle of the 1970's, nearly all these large-scale experimental installations were placed under the leadership of the Chinese Aeronautical Establishment.

China is strong in the research of aeronautical theory such as aerodynamics. It also has a number of personnel who are talented in the research of basic theory and who are well trained. Moreover, Chinese aviation technical personnel understand the technology of sophisticated equipment such as jet engines as well as American engineers. But China does not have the ability to utilize its knowledge to improve its products and at the same time, its capacity in applied research, development and design and its capacity to form a complete system of research and production is still limited. Because China followed Soviet technical theory when it began to establish its aircraft industry, its technical personnel are specialized in a narrow area and lack overall understanding, therefore, their capacity for design and development is limited.

Production of Aircraft and Engines

China's aircraft industry is in the charge of the Third Ministry of Machine Building. It employs 200,000 staff and workers, excluding those employed in other departments and organizations related with the aircraft industry. Technical personnel constitute one-fifth, or 40,000, of the 200,000 staff and workers. There are 40,000 machine tools in the factories under the Third Ministry of Machine Building. The major aircraft plants are in Shenyang in Liaoning Province, Harbin in Heilongjiang Province, Xian in Shaanxi Province, Nanchang in Jiangxi Province, Shijiazhuang in Hebei Province, Chengdu in Sichuan Province and in Shanghai.

The major types of planes made in Chinese aircraft plants are fighters. In the past, China produced a large number of "Jian-5's," derived from the Soviet Mig-17. It is now producing the "Jian-6" derived from the Mig-19 and the "Jian-7" derived from the Mig-21. There are fighter versions, reconnaissance versions and trainer versions of the "Jian-6" and later variants are an improvement over the early ones. It is equipped with a Chinese-developed radar, thus making it a kind of fighter-bomber with a limited all-weather capability. This aircraft is called the "Jian-6 New." The "Jian-7" is a copy of the early version of the Mig-21F, but its instrumentation and avionics are improved and it is equipped with an additional 23mm machine cannon. Its speed is Mach 2.05.

Designed and made by China on its own are the "Qiang-5" and "Jian-8." The "Qiang-5" began operational service in the 1970's. It was developed from the "Jian-6," but is bigger and is fitted with a bomb bay to increase its load. In fact, the "Qiang-5" is a new kind of supersonic [sic] ground-attack aircraft. It differs from the "Jian-6" in its tactical role. The "Jian-8" is a delta-wing fighter. Its nose section and power plant are similar to the "Jian-7." The design of the "Jian-8" was finalized in the late 1970's and early 1980's and at that time it was put into limited production.

China has made two kinds of bombers: the "Hong-5" light bomber which is a copy of the Soviet Il-28 and the "Hong-6" medium bomber which is a copy of the Soviet Tu-16 bomber. The "Hong-5" bomber is only employed in conventional tactical roles.

It can carry 1 ton of bombs. Some of the "Hong-5" aircraft have been employed by naval air units as torpedo aircraft. There are also reconnaissance versions and trainer versions of the "Hong-5." It is said that the "Hong-5" is equipped with better instruments than the Soviet Il-28. Nevertheless, these planes are out-of-date. The "Hong-6" is believed to be employed as a strategic bomber equipped to carry nuclear weapons. When employed as a conventional bomber, it can carry 9 tons of bombs. This aircraft is also out-of-date. However, both of the above-mentioned types of bombers are still being slowly produced. It was reported that China plans to develop a new kind of bomber, powered by the Rolls-Royce spey turbofan engine.

There are more types of transport aircraft. The first kind is the Soviet AN-2 which China has a patent to produce. China calls this variant the "Yun-5." A biplane powered by a reciprocating engine, it is broadly used in agriculture to sow seed, spread fertilizer and eliminate pests. Besides, it is used as a transport in forestry. Though this kind of airplane is technically obsolete, it can take off and land on soft ground and grass; therefore, it is relatively safe to employ. At present, China continues to produce this kind of plane and is planning to export it. The "Yun-6" is a copy of the Soviet Il-14 and only a small number of them have been produced. The "Yun-7" is a copy of the Soviet AN-24 and is used primarily as a transport plane. Since 1980 the "Yun-7" has been in operational service with the CAAC. The "Yun-8" is a copy of the Soviet AN-12, a medium four-engine transport. Like the Lockheed C-130 Hercules transport produced by the United States, it has a payload of 20 tons and T-63 light tanks can drive straight into its fuselage via a ramp in its tail section. It can take off and land on airstrips or grass and is one of the major transport planes in service with the Chinese Air Force. China also wishes to export this kind of plane. The "Yun-10" is a kind of large-scale airliner designed by China on its own and its performance and characteristics have already been dealt with. The "Yun-11" is also designed by China. It is a kind of light transport and general-purpose plane powered by two piston engines. It can carry eight passengers when it is used as a passenger plane. It is also used in agriculture and forestry and is being tested in a geological application. The "Yun-11" is one of the types of plane that China marketed for export in a civil commercial manner for the first time. (Another type is the "Chujiao-6") but because it is of inferior quality to similar products of other countries, no planes of this type have ever been sold. In order to solve this problem, China is making efforts to improve the performance of the "Yun-11" and is developing new improved versions of it. The major improvement is to replace its piston engines with turboprop engines. Now China is choosing engines produced by Western countries. It is said that the Canadian Pratt and Whitney PT-6 engines are most likely to be chosen. Another improvement is to change the whole wing into a supercritical wing. The new wing has almost been completed.

China has only produced two kinds of helicopters: the "Zhi-5," which is a patented copy of the Soviet MI-4, and the "Zhi-6," which is a copy of the Soviet MI-8. The "Zhi-5" is a kind of medium-sized, single piston-engine helicopter. Its maximum takeoff weight is 7.5 tons. It is used as a transport and in rescue and forestry operations. The production of this kind of helicopter has just been terminated. The "Zhi-6" is a kind of medium-sized helicopter equipped with two turboshaft engines. Its maximum takeoff weight is 12 tons. It is used as a

transport or in rescue operations or for carrying out air-drops. China is trying to develop new helicopters. At least one light helicopter prototype has made test flights.

China has produced two kinds of basic trainers. One is the "Chujiao-5" which is a patented copy of the Soviet Yak-18 and the other is the "Chujiao-6" designed by China itself. Production of the "Chujiao-5" has long since ceased and the "Chujiao-6" trainers are the basic trainers in operational service with the Chinese Air Force. With regard to advanced jet trainers, China has got the patent to produce the Mig-15UTI designed by the Soviet Union. The production of this aircraft was stopped in the early 1960's and shifted to the "Jianjiao-5" developed by China. The "Jianjiao-5" is the trainer version of the "Jian-5." The fighter trainer in production at present is the "Jianjiao-6," which has been developed by China on the basis of the "Jian-6." According to an American aviation specialist who has flown this kind of plane, the performance of the "Jianjiao-6" is not bad. China has also produced the "Hongjiao-5" bomber trainer which is a copy of the Soviet Il-28U and is the trainer version of the "Hong-5."

It has been reported that China's aircraft plant in Harbin is developing a kind of large anti-submarine seaplane.

Except for the "Yun-10," all the above-mentioned aircraft ranging from basic trainers to jet bombers are equipped with engines made by China. The aircraft plants and engine plants also make most of the tools they need. Accessory equipment is made by relatively small factories and the electronic equipment is provided by the factories under the Fourth Ministry of Machine Building. The Ministry of Metallurgical Industry supplies the major materials and the Ministry of Chemical Industry supplies other materials.

Major engines made in China are: the "Piston-5" which is a patented copy of the Soviet Ash-82 and which is used in the "Yun-5" and "Zhi-5"; the "Piston-6" which is the improved version of the Soviet AI-14 and which is the power plant of the "Chujiao-6" and "Yun-11"; the "Turbojet-5" which is a patented copy of the Soviet VK-1 and which is installed in the "Jian-5" and "Hong-5"; and the "Turbojet-6" which is an improved version of the Soviet RD-9B-811 and is used in the "Jian-6" and "Qiang-5." Apart from the above, China has produced quite a few other kinds of turboprop and turbojet engines.

Introduction of New Technology

Out of consideration for the fairly large gap between the aircraft industries of China and other advanced countries that has resulted from China's poor foundation to start with and the difficulties caused by China's break with the Soviet Union and the "Great Cultural Revolution," China wishes to introduce technology from Western countries. In 1975, China purchased the patent for producing the Rolls-Royce spey turbofan engine from Britain. After years of systematic assembly work, the first spey engine made in China was sent to Britain for testing in 1979 and it passed the tests well. It is believed that this engine will be put into production in a couple of years. In 1980, China got the patent for producing the SA-365N Dauphin helicopters from the Aerospatiale Company in France.

China is also discussing with the McDonnell Douglas Corporation in the United States introducing the production of DC-9 super 80 medium-range twin-turbofan passenger aircraft and has already reached an agreement with the corporation to manufacture the undercarriage bays of the DC-9 super 80 aircraft. It also seems to be interested in introducing the Boeing 737 passenger aircraft from the Boeing Company in the United States, but there has been no further news about this matter as yet. As for the recent widespread news that China plans to introduce Harrier VTOL fighters from Britain and to cooperate with Britain in developing BA3-146 four-engine transport aircraft, there has been no further news. In fact, the navy version of the Harrier, and the BA3-146 transport aircraft are all excellent types of aircraft, especially the Harrier which can help China to develop aircraft carriers for its navy; therefore, China should indeed not give up these aircraft.

There is great potential in China's aircraft industry. Though China is undergoing economic readjustment at present and it has to slow down the development of its aircraft industry, the Chinese aircraft industry personnel are still conscientiously making efforts to understand the problems facing the development of their country's aircraft industry. They are working hard and are striving to overcome the difficulties resulting from the political movements during the many previous years and to promote the modernization of the aircraft industry. It is believed that after China has been properly readjusted, the Chinese aircraft industry will develop in a more ideal manner.

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